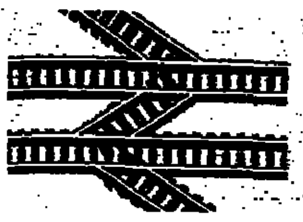
FINANCIAL TIMES



Test of nerves
Privatising the railways
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How figures may mislead
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In the limelight
Benetton's image under attack
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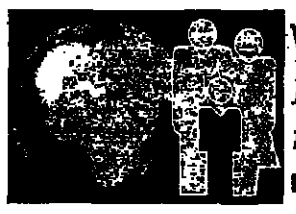


World society
In search of a modern model
Ian Davidson, Page 10

World Business Newspaper WEDNESDAY FEBRUARY 1 1995 D8523A

Fears of further flooding as death toll reaches 28

There were fears that dykes could collapse in the Netherlands as rivers continued to swell with surging water carried downstream from flood-stricken areas of Germany, Belgium and France. With the peak of the flood waters not expected until tomorrow in some areas, residents of low-lying areas close to the city of Nijmegen were ordered to leave. Dutch authorities have urged an 240,000 people to evacuate their homes in the east of the country. The floods have claimed 28 lives across northern Europe. Page 12; Observer, Page 11

Beijing takes trade row to the brink: China appeared intent on taking its trade dispute with the US to the brink by refusing to say whether it would resume negotiations before Saturday's deadline for sanctions. Page 4

Rise in French jobless slows: The rise in French unemployment slowed sharply last year but not enough for the government to meet its target of stabilising the number of people out of work. Page 12; Little joy for Japan's jobless, Page 5

Sumitomo plans agrochemicals venture: Sumitomo Chemical, Japan's largest chemicals producer, plans to merge its agrochemical division with those of Chugai Pharmaceutical, Japan's leading drugs group, and medium-sized Hodogaya Chemical, to challenge foreign supremacy in the $2.9bn domestic market for agrochemicals. Page 20

Electrolux reports record profits: Electrolux of Sweden, the world's leading household appliances manufacturer, doubled its dividend after reporting record annual profits of SKr6.35bn ($852m). Page 13

Luxembourg court approves BCCI deal: A long-awaited settlement for creditors of the collapsed Bank of Credit and Commerce International was approved by a Luxembourg court. It could clear the way for a first dividend payment. Page 7

ANA orders 10 Airbuses: All Nippon Airways, Japan's second largest carrier, placed firm orders for 10 Airbus A321-100s in a deal worth Y64.5bn ($654.3m). Page 17

WTO makes principal appointments: The World Trade Organisation's general council met for the first time and elected chairmen to all its main decision-making bodies. Developing countries had threatened to hold up the appointments. Page 4

Italy fails to obey pensions ruling: Italy's state pensions organisation said it lacked the funds to pay out L32,000bn ($19.7bn) in arrears awarded to pensioners by the country's constitutional court. Page 3

Australia raises deficit forecast: The Australian federal government alarmed financial markets when it revealed that its budget deficit for the 1994-95 financial year will be A$12.3bn ($9.4bn) about A$500m higher than expected. Page 5

Clinton invites Bolger to US: US president Bill Clinton invited New Zealand prime minister Jim Bolger to the White House, ending an 11-year freeze in relations which began when the former Labour government passed anti-nuclear legislation. Page 5

Ecuador and Peru agree ceasefire: Ecuador and Peru agreed to a ceasefire in their border conflict, paving the way for peace talks. Page 6

Murdoch hints at end to price war

News International chairman Rupert Murdoch hinted at an end to the UK's bitter newspaper price war by indicating that he may have to raise prices of The Sun and The Times in response to a 30-40 per cent increase in newsprint costs. Telegraph group chairman Conrad Black (left) said the right conditions were in place to end the price war, but Telegraph prices would continue to respond to Mr Murdoch's pricing policies. Page 7; Lex, Page 20

Axa buys 51% of Australian insurer: Axa, one of France's largest insurance companies, is paying A$1.1bn ($840m) for a 51 per cent stake in National Mutual, Australia's second largest life company. Page 13; Lex, Page 12

Flotation plan for Northern: An unprecedented proposal that Trafalgar House be permitted to acquire Northern Electric, a UK regional utility, only if it refloats 25 per cent on the London Stock Exchange has been made by Britain's director general of electricity supply. Page 13; Lex, Page 12; High acceptances, Page 20

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,846.89	(+14.81)
NASDAQ Composite	755.01	(+3.18)
Europe and Far East		
CAC40	1,797.9	(-15.53)
DAX	2,147.9	(-112.87)
FT-SE 100	2,991.6	(-4.3)
Nikkei	18,649.8	(-103.06)

US LUNCHTIME RATES

Federal Funds	$5\frac{13}{16}$%
3-mth Treas Bills: Yld	5.989%
Long Bond	$97\frac{13}{32}$
Yield	7.717%

OTHER RATES

UK: 3-mo Interbank	$6\frac{3}{4}$%	(same)
UK: 10 yr Gilt	$88\frac{1}{32}$	($87\frac{3}{32}$)
France: 10 yr OAT	95.78	(95.74)
Germany: 10 yr Bund	99.52	(99.54)
Japan: 10 yr JGB	96.364	(96.394)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.58	(16.49)

GOLD

New York: Comex		
Feb	$375.4	(376.8)
London:		
close	$374.7	(375.6)

DOLLAR

New York: lunchtime		
£	1.5810	
DM	1.524	
FFr	5.2855	
SFr	1.2845	
Y	99.4	
London:		
£	1.5875	(1.5908)
DM	1.5153	(1.5089)
FFr	5.2585	(5.241)
SFr	1.276	(1.272)
Y	98.95	(98.585)

STERLING

DM	2.4055	(2.4019)
Tokyo close:		Y 98.58

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.80	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils625	Portugal (mainland)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

 No 32,589 Week No 5 LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · TOKYO

Rescue package announcement sparks Latin American market rally

Clinton bypasses Congress to offer Mexico $50bn

By George Graham in Washington and Leslie Crawford in Mexico City

President Bill Clinton yesterday abandoned his attempt to win approval from Congress for $40bn of loan guarantees to rescue Mexico from financial crisis. Instead, he promised a $50bn international loan package for the country.

The announcement, which was viewed by investors as reducing uncertainty surrounding the Mexican rescue, sparked a powerful rally in Mexican and other Latin American financial markets.

Mr Clinton said he had concluded that although Congress might eventually pass the legislation needed to authorise the guarantees, "it will not do so immediately, and therefore will not do so in time".

The substitute rescue package will contain $20bn of US credits, as much as Mr Clinton was able to offer on his own executive authority, coupled with new promises from the International Monetary Fund and the Basle-based Bank for International Settlements.

The IMF board is due to meet today to approve the $7.76bn standby credit it agreed for Mexico last week. But in an additional measure that IMF officials described as unprecedented, the Washington-based institution will ask treasuries and central banks of member countries for another $10bn. If the IMF does not reach this total, it will make up the money from its own capital.

The BIS, meanwhile, is expected to double the $5bn credit line it is already providing for Mexico. An extra $3bn of loans from commercial banks, which could be finalised this week, would take the whole package over $50bn.

"Our problems are over," Mr Ariel Buira, vice-governor of Mexico's central bank said.

"This is real money, as opposed to the US package of loan guarantees. It gives us more flexibility, it will allow us to meet our short-term obligations and restore confidence in the Mexican peso."

The US contribution is expected to include both short-term swaps, with a maturity of three to five years, and security guarantees with a maturity of five to 10 years.

The swaps will enable Mexico to draw dollars partly on the Federal Reserve but mostly from the Exchange Stabilisation Fund, a Treasury account totalling $37.4bn at the end of June that is used for normal US foreign exchange market intervention.

Mr Clinton's decision came after a hurried meeting with congressional leaders yesterday morning, at which he concluded that the chances of passing loan guarantee legislation quickly enough to do any good were poor.

Announcing the new credit package to a meeting of state governors yesterday morning, Mr Clinton said he was "virtually certain that if we do nothing it will get much, much worse in a hurry".

Congress seemed likely to back the new package, partly because it did not require them to vote for it, and because it included a much greater contribution from multilateral institutions.

"This burden sharing is something everyone has been pushing for," said Congressman Jim Leach, chairman of the House of Representatives banking committee. But Mr Leach warned that if the credits resulted in any financial loss, Congress would have to replenish the Exchange Stabilisation Fund.

Clinton told state governors that Congress will not pass the legislation immediately 'and therefore will not do so in time' Reuters

The Mexican stock market was up 8.7 per cent at midday, while the peso rallied to 5.85 against the dollar, against 6.3 at Monday's close. Brazil's stock market rose 8.5 per cent and Argentina's 7 per cent.

The dollar also rose against other leading currencies, in part on the market perception that the US Treasury would be selling D-Mark and yen from its reserves. A Treasury official later denied this would occur.

Sharp rise in overseas investment by British companies

By Gillian Tett and Michael Holman in London

Overseas investment by British companies has risen sharply as the UK economy has recovered. New investment in the US rose particularly fast with a sixfold increase in 1993 alone.

But foreign investment in Britain has grown more slowly, suggesting that the UK is unlikely to see an early repeat of the 1980s surge in foreign direct investment.

The UK's Central Statistics Office yesterday said that new investment by UK companies in overseas subsidiaries was £17bn ($26.5bn) in 1993.

This was 68 per cent higher than in 1992, and the highest level since 1989.

This outward investment represented almost a quarter of the total private sector investment in 1993.

Some economists said the trend suggested that companies had preferred to invest overseas rather than in the UK.

Mr David Owen, UK economist at Kleinwort Benson said: "The figures may partly explain why domestic investment has been slow so far, particularly among large companies."

North America accounted for the largest slice of UK overseas investment, attracting £6.9bn in 1993. This was sharply higher than the 1992 level of £1.2bn, but below the 1989 level of £12bn.

Investment in European Union and east Asian countries also grew steadily. One exception was Africa.

A separate report from the Institute of Development Studies yesterday showed that more than half of UK manufacturers have disinvested in sub-Saharan Africa in the last five years, blaming political uncertainty, shortage of foreign exchange and low profitability.

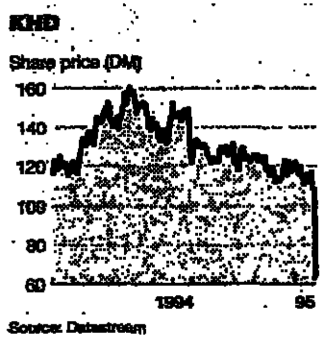
Ms Kate Barker, chief economist at the Confederation of British Industry, attributed the outward investment surge to the UK recovery and "the strong growth prospects" in many parts

Continued on Page 12

Sub-Saharan Africa hit by investment pullout, Page 4

KHD rescue plan in doubt as shares fall again

By Andrew Fisher in Frankfurt



Source: Datastream

Shares in Klöckner-Humboldt-Deutz, the troubled German engineering company, took a further dive yesterday as analysts recommended investors to sell in the wake of the emergency financing plan announced this week.

At yesterday's closing price of DM64.20, the shares were 47 per cent lower than last Thursday's DM121. On Friday, before the stock was suspended ahead of Monday's news of the DM919m restructuring package, they slid DM60 to DM81; yesterday, they lost a further DM16.80.

Several analysts, annoyed by earlier reassurances from KHD about the state of the company's business and finances, expressed doubts as to whether the restructuring plan would work. "No serious investor will touch it," said Mr Gebhard Klingenstein, head of equities at the Frankfurt operation of Barclays de Zoete Wedd (BZW), the UK investment bank.

Mr Eggert Kuls, an analyst with Bayerische Vereinsbank, said a turnround by KHD in the present economic cycle now looked unlikely, although the company expects to return to profit in 1997. He forecast a loss per share of DM21.50 this year and DM10 in 1996 after an estimated DM27 for 1994.

The largest share of the financing burden will be borne by Deutsche Bank, which will be responsible for some DM500m ($327m) and end up controlling 49 per cent of KHD's equity directly or indirectly. KHD is suffering from poor trading conditions, heavy investment in a new DM600m engine plant and the lingering effects of an earlier and disastrous US farm equipment venture.

Deutsche Bank, which yesterday announced a 125th anniversary bonus of DM3 a share on top of an unchanged DM16.50 dividend at a total cost of DM960m, will be able to absorb the financial impact. Like other banks, it has made large provisions. Last year, it led a rescue package for Metallgesellschaft, the industrial and trading company, and was hit by the collapse of Mr Jürgen Schneider's property empire.

KHD said engine sales were picking up and important new customers had been won. But one analyst at a leading foreign securities house said he had been seriously misled by the management's presentation of its financial situation even up to this month. However, he thought the refinancing plan should work.

KHD still faced with tough challenges, Page 19

US growth lifts GM to first annual profit since 1989

By Richard Waters in New York

General Motors' struggling North American car manufacturing business registered a sharp pick-up in earnings in the final three months of 1994, ending its first profitable year since 1989.

The unexpectedly strong rebound in the domestic operations capped a year of record profits for GM and fuelled a rise in the group's shares.

Fears, however, that the growth in the US vehicle market will slow sharply this year, and concern that GM's profits there remain small given the strength of the industry's cyclical upturn, continued to weigh on the group.

At $38⅞, up $1⅛ during the morning, GM's shares were still well below the $65⅝ peak a year ago, when US interest rates began to rise.

The North American car business made after-tax profits of $492m in the last three months of 1994 and $690m in the year ($1.4bn before an accounting change). This compared with a $872m loss in 1993. Between 1990 and 1993, the company lost more than $15bn in North America.

The return to profits came on the back of a 6 per cent increase in North American vehicle sales in 1994, to just over 5m. Unit sales were up only 2 per cent in the final quarter as GM lost production to strikes and poor new vehicle launches. However, profits rose on gains in productivity, pointing to higher profits in the coming quarters, said Mr John Casesa, an industry analyst at Wertheim Schroder in New York.

Mr Michael Losch, GM's chief financial officer, said the company believed that total US vehicle sales would reach 15.6m this year, up from 15.4m in 1994, and market share would rise from last year's 33.3 per cent as its factories increased output. He said there were no signs that US sales would slow this year, countering recent market fears.

At 0.7 per cent, however, GM's net profit margin in North America last year remained behind the group target of a 5 per cent margin over the economic cycle.

Overall car manufacturing profits, meanwhile, were underpinned again last year by GM's strong international operations. These reported profits of $1.6bn, an increase of $500m over 1993.

The group's record fourth quarter and full-year figures also reflected the results of the three group subsidiaries which reported figures on Monday – Electronic Data Systems, GM Hughes and General Motors Acceptance Corporation. Between them, these companies contributed net income of $2.742bn, up 4 per cent from 1993.

After-tax profits in the fourth quarter of 1994 were $1.6bn, or $1.74 a share, well ahead of most estimates and up from $1.2bn, or $1.28 as share, in the same period of the previous year. This contributed to full-year net income of $4.9bn, or $5.15 a share, compared with $2.5bn, or $2.13 a share, in 1993.

GM surges to $1.33bn net profits in Europe, Page 16

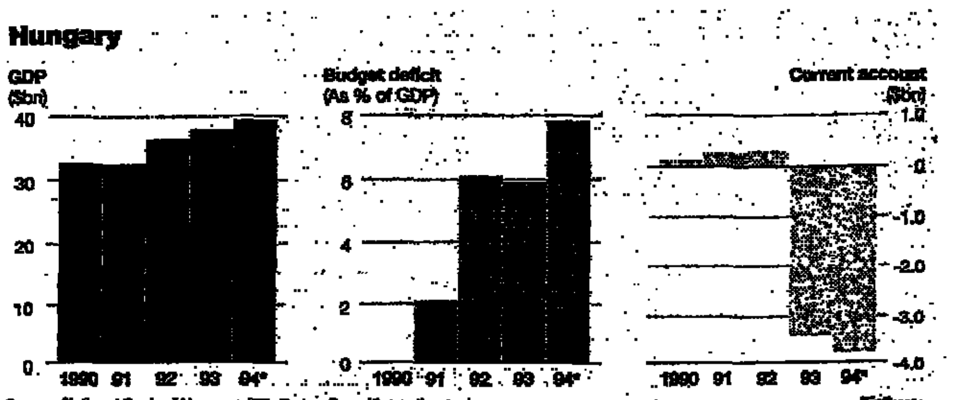
CONTENTS

NEWS: EUROPE

Outgoing finance minister fires parting shot after resignation from cabinet

Hungary warned on going Mexico's way

By Nicholas Denton in London and Virginia Marsh in Budapest



Source: National Bank of Hungary, IFS, Baring Securities estimates

The warning that Hungary might be caught up in the maelstrom affecting emerging markets has more credibility than most. It comes from none other than the country's outgoing finance minister, Mr Laszlo Bekesi. In a parting shot to the government he resigned from at the weekend, he urged: "Just think about Mexico."

He was equally brutal about the reasons for concern. Hungary's economic indicators are even worse than Mexico's, he said. As a proportion of GDP, Hungary's forecast current account deficit in 1994, at 9.4 per cent, exceeds Mexico's 8.0 per cent. Its gross external debt, at 67 per cent of GDP, is a greater burden than Mexico's, only 46 per cent of output.

There is still little expectation of a Hungarian default. But a devaluation is more of a possibility. Independent analysts forecast a depreciation of the forint, the Hungarian currency, of about 15 per cent in 1995.

The similarities with Mexico end there, however. Hungary faces no immediate crisis. "If they continue to scare foreign investors one day they will have to pay for that – but I don't think that day will be tomorrow," Mr Igor Sitnin of Bank of America said yesterday.

Officials claim there is little "hot money" invested in liquid instruments. There is no equivalent of the *tesobono* government bills which the Mexican authorities have continued to roll over. The widely respected central bank, the National Bank of Hungary (NBH), has quietly restructured the $28bn foreign debt.

A burst of heavy bond issues in 1993 has raised the average maturity of government borrowing to seven years. It is closely held by investors and rarely traded. Short-term borrowings, with a maturity of less than a year, amount to just $2.3bn.

In addition, $3bn of longer-term debt comes due in 1995. Independent analysts forecast a current account deficit, including about $1.3bn of interest payments on the debt, of about $3.5bn.

That represents a financing requirement of about $9bn in 1995. Even at worst, if bond and loan markets rejected Hungary, foreign exchange reserves of $7bn would provide a cushion.

With continuing foreign borrowing, Hungary can last longer. The NBH last month proved its access to capital markets by successfully launching a Y25bn ($254m) bond. Foreign direct investment flows will also help.

Foreign equity investors in Hungary are also far less likely to withdraw funds than those in Mexico or, for that matter, in other east European countries such as Russia.

CS First Boston, the investment bank, estimates that *portfolio investment*, largely in stock market shares, was only $500m at its peak and is now down to $300m-$400m. Financial investor nervousness helped depress the Budapest stock market yesterday. The index fell to a 16-month low. But western manufacturers are far more important sources of capital. Projects and acquisitions by companies such as General Electric, Deutsche Telekom, Ameritech and General Motors has lifted direct investment to about $8bn. These strategic investors are far less mobile than their financial counterparts.

Both foreign lending and equity investment are sufficiently fixed to give Hungary time to solve its crisis. It also gives the government the luxury of procrastination.

Mexico's authorities promised to privatise more rapidly to reassure foreign investors. By contrast, Mr Gyula Horn, Hungary's prime minister, followed up the abandonment of his finance minister with a remark in yesterday's Hungarian newspapers that he did not wish to see foreign or private control of the power industry.

His declaration brings into the question the central bank's forecast of foreign direct investment, which depended heavily on the sale of electricity and gas companies to foreign investors this year.

That has left the central bank to pursue a policy that even some officials privately describe as desperate: to run down reserves until the government gets nervous and comes to its senses.

Horn's backtracking sparks crisis

Virginia Marsh on how high hopes for the government have turned sour

When they voted overwhelmingly for former communists in general elections last May, many Hungarians thought they were electing a party of professional politicians and technocrats dedicated to completing the country's transition to a market economy.

In its electoral campaign, the Socialist party, led by Mr Gyula Horn, the former foreign minister who helped precipitate the collapse of the Iron Curtain by letting east Germans flee to the west through Hungary, was able to capitalise on its reputation as the party that pioneered market-led reform and democratic change in the former East bloc.

With promises to manage the transition more efficiently and smoothly, it captured 54 per cent of seats in parliament and convinced many Hungarians, including in the business community, that it was a better alternative to the conservative parties that won Hungary's first post-communist elections in 1990.

But just six months into a four-year mandate, the Socialist party is in disarray. It is backtracking on its ambitious economic reform programme and is on the point of losing its junior coalition partners, the liberal Alliance of Free Democrats, whose support gives the government 72 per cent of parliament.

With the sacking of Mr Ferenc Bartha, the privatisation chief, three weeks ago, and the resignation of Mr Laszlo Bekesi, finance minister, at the weekend, the government is losing two of its best technocrats.

Their departures will further weaken a government that is not nearly as technocratic as was expected. The brightest stars of the last communist-era government led by Mr Miklos Nemeth and known in Hungary as the Great Government for its brave reform measures, have long since departed for lucrative jobs in the private sector or have retired from public life.

"Gyula Horn is a nobody compared with most in that cabinet and today's Socialist party in no way measures up to the Communist party in its later years," says a former member of the Nemeth government. "In the 1990 elections, the Socialist party was annihilated. The best minds left, the dregs of the party remained."

Analysts say the departure of Mr Bekesi will shift the party further to the left. Mr Bekesi, who represents the liberal wing, resigned after losing control of privatisation to the cabinet and because he thought the government was softening its economic policy line.

Hungary yesterday sentenced two former members of a communist militia unit to five years in jail for firing on demonstrators during the 1956 uprising, *Reuter reports from* Budapest. The landmark ruling is the first time Hungary has convicted citizens for suppressing their compatriots during the years of communist rule. A panel of judges at Budapest municipal court found Lajos Orosz and Ferenc Toldi guilty of crimes against humanity for firing, along with Soviet Red Army troops, on 4,000 demonstrators on December 8, 1956 in Salgotarjan, a small northern mining town. Officially 47 people, including two children and a pregnant woman, were killed and nearly 90 wounded.

His resignation leaves the cabinet dominated by left-wing Socialist ministers such as Mr Horn and Mr Laszlo Pal, trade and industry minister, who were always reluctant to support the tough reforms demanded by Mr Bekesi. They attach great importance to making market reforms more palatable to voters, many of whom are ambivalent about privatisation and sales to foreigners, and elected the Socialists in part to ease the pain of transition.

Mr Horn underlined this in an interview published yesterday in which he indicated he might oppose the planned sale of the country's energy sector to strategic foreign partners. The country had to be careful not to endanger its energy supplies through privatisation.

The sale of majority stakes in the country's inefficient energy monopolies, which require massive investment to modernise them, are at the centre of the privatisation strategy. Expected revenues of more than $1.2bn from the sales were included in this year's budget.

In the interview, Mr Horn also said the nominally independent central bank should co-ordinate its policies more with the government and, referring to recent interest rate rises, said the bank should not "force commitments" on the government.

Such statements and any backtracking on privatisation or the economic programme will further strain the ruling coalition. The Free Democrats, a party of liberals and former dissidents, joined forces with their former arch enemies, the ex-communists, on condition Mr Bekesi became finance minister. Many Free Democrats are unhappy at what they describe as Mr Horn's "autocratic" style of government and feel their party is not being consulted enough in the coalition. The party is demanding Mr Bekesi's programme be continued and the appointment of a successor to restore international confidence in Hungary as soon as possible.

But a quick solution to the political crisis looks unlikely. For two months the two parties have been wrangling over the appointment of a new central bank governor to replace Mr Peter Akos Bod who resigned in December, also after political interference. Part of the problem was that, even with Mr Bekesi in the finance ministry, it was proving difficult to lure good candidates back into public service from the private sector.

With Mr Bekesi's resignation, a rocky coalition and an unclear economic policy, it will be even more difficult for Hungary to find the right leaders to take it through the transition.


Premier Horn: party disarray

EUROPEAN NEWS DIGEST

Walesa agrees cabinet posts

Poland's president, Mr Lech Walesa, yesterday broke a three-month deadlock over filling the posts of foreign and defence minister by accepting two candidates put forward by Mr Waldemar Pawlak, the prime minister. Their names will be announced formally on Friday but are thought to be Mr Janusz Ziolkowski, a sociologist responsible for foreign affairs in the president's office, and Mr Jerzy Milewski, the present deputy defence minister. The appointments mark a compromise of sorts. Mr Ziolkowski is wholly loyal to the president while Mr Milewski was once a supporter but broke with him last autumn when Mr Walesa forced Mr Piotr Kolodziejczyk, the previous defence minister, to resign. Mr Milewski then sided with the government, which saw the dismissal as a presidential move to weaken civilian control over the forces.

The government and president are still at loggerheads over this year's budget, which Mr Walesa has to approve or veto this week. There are fears that he intends to use the dispute as a pretext to call elections. *Christopher Bobinski, Warsaw*

French party mortgages HQ

France's Socialist party said yesterday it had been forced to mortgage its Paris headquarters to guarantee a FFr63m ($12m) loan. The party has amassed a deficit of FFr60m – half its annual budget – and treasurer Alain Claeys said the leadership would keep a tight rein on campaign costs before the presidential elections in April and May. The three-year loan, granted by Crédit Foncier, Banque Nationale de Paris and Crédit Cooperatif, commits the Socialists to mortgaging their headquarters on the Left Bank of the Seine. The leadership is also negotiating with unions and regional party heads to cut this year's payroll by FFr2m from FFr24m in 1994.

A centre-right landslide in a 1993 general election cost the Socialists dearly as state grants to parties are linked to the number of their seats in parliament. But the presidential contest will help boost party coffers thanks to the FFr43m grant the state gives to candidates. *Reuter, Paris*

Ruling aids Crédit Lyonnais

A Swiss court yesterday made a ruling that appeared to relieve the embattled state-controlled French bank Crédit Lyonnais of any liability in its exposure to Saséa, the Swiss holding company which collapsed amid suggestions of fraud in 1992. Judge Jean-Louis Crochet, an examining magistrate in Geneva, ruled that Crédit Lyonnais could count as a creditor to Saséa, the company with debts of FFr12bn including FFr4.8bn which the bank claims it is owed.

The ruling, subject to appeal for the next few days, is the most significant suggesting that the bank was defrauded by the company through guarantees made through its Dutch subsidiary, Crédit Lyonnais Bank Nederland, in 1991. Mr Florio Fiorini, former head of Saséa, has been imprisoned as part of the acrimonious legal battles surrounding the collapse of the group. *Andrew Jack, Paris*

New bank chief for Austria

Austria's central bank president Maria Schaumayer, 63, will retire in May when her term expires. A former Vienna city councillor and chief financial officer of the state-owned oil and gas group, OMV, she has led the bank since 1990.

Mr Klaus Liebscher, chairman of Raiffeisen Zentralbank and president of the Vienna bourse, is expected to succeed her. He, too, is a member of the conservative People's party (OeVP) and a proponent of a hard currency policy. The OeVP is pressing for an end to the agreement between the country's two main parties whereby the central bank president, who represents the bank and is in charge of strategy, is usually a conservative and the director-general, who is in charge of day-to-day policy, is a Social Democrat. *Eric Frey, Vienna*

German car output to rise

German car production is likely to rise about 5 per cent this year to 4.2m units and commercial vehicle output should grow almost 6.7 per cent, the VDA manufacturers' association said yesterday. Car exports could increase by 6 per cent, while shipments of trucks, vans and buses were likely to rise 7 per cent. Mr Achim Diekmann, VDA chief executive, said he expected a rise of around 3 per cent in German registrations. For the rest of western Europe, he expected car sales to rise 5 per cent compared with 8 per cent last year. Ms Erika Emmerich, association president, said excessive corporate taxation and wage costs around double those in France, Britain, Spain and Italy were still considerable competitive disadvantages. *Christopher Parkes, Frankfurt*

Bonn rules out early breach in phone monopoly

By Michael Lindemann in Bonn

Mr Wolfgang Bötsch, the German post and telecommunications minister, yesterday ruled out any possibility of competition on German voice telephone services before January 1 1998.

Following a four-hour meeting with representatives of the telecommunications industry, Mr Bötsch said he would be prepared to issue licences for certain "peripheral services" *but that the monopoly on* voice telephone services by law belonged to Deutsche Telekom, the state-owned operator, until the end of 1997.

Big German companies, including Veba, Viag and Thyssen, which have branched out into telecommunications, were hoping that Mr Bötsch might have been prepared to allow early entry into voice transmission by Deutsche Telekom's prospective competitors.

The minister further disappointed the industry, including Deutsche Telekom, by failing to give any indication of how many voice transmission licences would be awarded after the beginning of 1998, when European Union rules state that telecoms monopolies must cease across most of the Union.

He said that an unspecified number of licences would be issued in the first half of 1997 so that private companies could begin competing when the monopoly falls away.

The post ministry plans to publish a paper by the end of March, he said, which would give more details about what companies hoping to compete with Deutsche Telekom would have to do to ensure that a so-called "universal service" was maintained across Germany.

The ministry has also invited the 18 representatives of the German telecommunications industry who attended yesterday's hearing, the largest ever of its kind, to a second meeting at the end of June.

Mr Bötsch said his ministry had so far received seven applications from companies, mainly utilities, wanting to offer niche services to customers who at the moment can still only operate via Deutsche Telekom.

Veba, one of Germany's biggest private telecommunications operators, has applied for such a niche licence, saying it can offer Germany's two publicly owned television stations services which are cheaper and better than those provided by Deutsche Telekom.

Mr Bötsch said he would consider licensing such operators before the voice monopoly ended but said it was still too early to give details of how this might be done.

Several of the companies at the Bonn meeting had also hoped to receive more details about the regulatory guidelines which come into force after liberalisation.

Many of them hope that these guidelines will be tipped against Deutsche Telekom so that newcomers have a better chance. However, Mr Bötsch said that, while several other countries had adopted such a framework, details of how this might operate in Germany would have to await new legislation and the constitution of the 32-member regulatory council which will represent parliament and Germany's 16 Länder.

"I'm still rather doubtful *about how you would do this,*" he said, referring to the regulatory guidelines. "You cannot, for instance, prevent a company like Deutsche Telekom from offering a certain new technology."

Computers force French banks to give up a medieval earner

From yesterday cash deposits must be credited immediately, Andrew Jack reports

When Bouygues, the French construction and communication group, received a cheque for $348m as advance payment on a project in Saudi Arabia in 1981, it decided that rather than pay the money into its bank account in Paris it would send two senior staff on Concorde to New York to deposit it there.

Among the reasons was the *dates de valeur* system used by French banks, which allows them to hold on to money deposited into or withdrawn from accounts for several days before crediting it to clients.

The interest generated by the banks from all deposits and withdrawals under the current system gives them an estimated FFr6bn ($1.13bn) in profits a year, *at a time when their profits from other* operations are being squeezed.

The origin of the system dates from the Middle Ages, when it was argued that calculations based on the calendar year of 365.25 days would be too complex and so banks were permitted to use a 360-day cycle instead. It was most recently ratified in France by a law in 1966.

However, a series of legal judgments from the Cour de Cassation in Paris, culminating in one last month, argued that the system was no longer sustainable in the computer age for cash deposits and withdrawals. Coupled with growing pressure from consumer groups and anomalies with practice elsewhere in Europe, the banks had little choice but to concede some ground.

From yesterday, most French banks and other credit institutions followed the recommendations of their industry bodies and started recognising deposits and withdrawals from cash immediately, waiving a typical delay of two days. But this represents only a small part of the challenge.

The concessions apply only to cash deposits and withdrawals made within bank branches – estimated to be worth *about FFr600m in profits a year* – and largely represent transactions made by corporate clients. Across France, large discrepancies and delays still exist for all other forms of payment and withdrawal: using cash machines, cheques and electronic transfers, for example.

The Association of French Banks, the leading industry body, is now reflecting on a series of possible guidelines to reduce the credit or debit periods for such other forms of payment, and to standardise any remaining delays when there are "technical reasons" to justify some gap.

Apart from the limitations of technology in transferring money between branches and banks, which inevitably bring delays, one of the principal such "technical" concerns is with fraud detection. Only yesterday, the Paris police reported a 71 per cent rise in cheque fraud last year, representing about two cheques in every 10,000.

The situation is particularly acute in France, which remains a predominantly cheque-based culture. In spite of its highly-developed system of electronic cards to withdraw cash and make payments in shops, cheques continue to account for most transactions: some 4bn a year or 54 per cent of the total – beaten only in the US.

The main reason, according to the Association of French Banks, is French law. One regulation obliges companies to pay their staff monthly by cheque; another stipulates that all payments above a certain amount must be by cheque – partly to *discourage cash transactions hidden from* tax inspectors.

Meanwhile, companies and individuals lobbying for changes to the system to give them faster clearance of their money may also need to fear retaliation. Banks argue that they have long been unable to impose charges on clients to cover other costs such as issuing cheque books or payments from cash dispensers.

As Ms Blanche Sousi, a professor at Lyon-3 University who specialises in banking law, warned in the French press this week, there is no consistency in other parts of Europe and little evidence that the country is less fair to its customers than banks in other EU member states. *Swifter settlement may ultimately* do little to reduce total banking costs.

UK central banker's Emu vision

By David Buchan in Paris

The governor of the Bank of England, Mr Eddie George, yesterday sought to revive the debate about the economic consequences of monetary union, arguing that European countries with particularly high unemployment might continue to need to devalue their currencies as well as to lower *wages to stay competitive*.

Mr George told the Institute of Banking and Financial Studies in Paris that he was "not making the case against the principle of monetary union", but rather pointing out "the danger of the economic issues being submerged" in the increasing focus just on whether and when the Maastricht treaty's convergence criteria would be met.

At the same time, however, France's European affairs minister, Mr Alain Lamassoure, said that "economic and monetary union should be the portion of the Maastricht treaty *least modified*" by next year's European Union constitutional conference. Speaking to a conference organised by the Philip Morris Policy Research Institute and the Sorbonne, the minister said that during 1996-97 – when the first attempt to move to monetary union will be made – it was important to avoid Maastricht's Emu provisions being renegotiated in a new treaty that could take a couple of years to ratify.

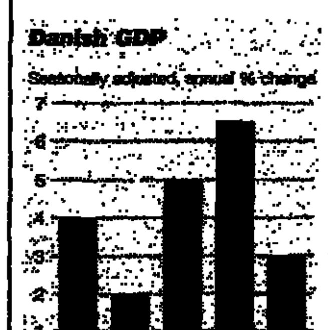
The effect of Mr George's speech, to the extent it is heeded, would be to widen the continental debate on Emu pre*cisely* when *proponents of* early monetary union, such as the French government, want it narrowed to make room for other issues on the 1998 agenda, such as European defence. Most continental European governments have ceased pondering the merits of Emu, and are focused on how to get there.

However, the Bank of England governor stressed he was not trying to take sides in the Emu debate.

"It must be in everyone's interest to be clear about the economic risks – however committed they may be to close *political or economic co-operation* in Europe – just as those who favour a looser form of co-operation need nevertheless to consider the potential economic benefits that monetary union might provide," he said.

ECONOMIC WATCH

Denmark's GDP on the rise



Source: Reuters

Danish gross domestic product increased in real terms by 4.7 per cent in the first three quarters of last year from the same period in 1993, according to official statistics. However, the growth rate slowed to 3 per cent in the third quarter. Seasonally adjusted figures show a 1 per cent dip in GDP from the second to the third quarters as investment and stocks declined and private consumption growth slowed. *Denmark's exports soared to* a new monthly record of DKr24.2bn ($4bn) in November, an increase of 7.7 per cent from a year earlier. Imports were up by 11.3 per cent to DKr19.9bn, to give a trade surplus of DKr4.2bn. After the first 11 months of 1994 the trade surplus narrowed to DKr35.4bn from DKr40.2bn in the same period of 1993. Exports increased by 7.9 per cent to DKr232.7bn and imports by 12.3 per cent to DKr201.7bn. The current balance of payments surplus for the same period slipped to DKr22.4bn from DKr28.2bn in 1993. *Hilary Barnes, Copenhagen*

■ Germany's trade surplus was DM8.5bn ($5.7bn) in November, after DM7.0bn in October and DM5.7bn in November 1993. The figures for the current account were respectively, a DM0.5bn surplus, a DM7.3bn deficit and a DM1.5bn deficit.

■ Finnish GDP increased 3.7 per cent year-on-year in November, the thirteenth consecutive month it has increased.

صكنا من الاهل

Italy fails to obey pension arrears ruling

By Robert Graham in Rome

Italy's state pensions organisation, the INPS, has issued a rude reminder that it lacks the funds to pay out L32,000bn ($20bn) in arrears awarded to pensioners by the constitutional court last year.

The organisation has also warned that delays in implementing the court decision could lead to fresh legal action by pensioners to enforce payment which would increase the overall cost to the INPS.

The problems of implementing the costly constitutional court decision in turn risks impinging upon negotiations to reform Italy's state pensions system. Reform of the deficit-ridden pay-as-you-go system is one of the four priorities of the new government of Mr Lamberto Dini, whose cabinet of non-partisan technocrats was sworn in on January 17.

The constitutional court decision was announced last June. It covered three different groups of pensioners and affected the the claims of some 900,000 overall. The cases dated back to challenges made to government attempts to rationalise and cut pension benefits in 1983. Those most affected were persons receiving both old age and widows' pensions. Successive governments fought the issue through the courts, even though all legal opinion suggested the pensioners would win.

The total cost of carrying out the judgment, with arrears and interest covering 11 years, was last year put at L32,000bn by the INPS. This huge sum is the equivalent of the total amount the former government of Mr Silvio Berlusconi sought to find through spending cuts and new taxes to hold down the 1995 budget deficit to 8 per cent of GDP.

The Berlusconi government pledged to tackle the issue but not within the context of the 1995 budget as it would have meant increasing taxes. However, by the time Mr Berlusconi was forced to step down in late December, the matter was no closer to solution. As a result the INPS has been unable to make any provision in its own 1995 budget.

Union leaders are due to begin discussions with the new government later this week on how to approach pension reform. The issue was shelved last December to head off a planned general strike. The two sides agreed instead to negotiate a reform by June; but Mr Tiziano Treu, the new labour minister, has already indicated that two months could be sufficient time to secure an agreement.

The deficit in the state pensions system will this year be more than 4 per cent of GDP and is the largest burden on the treasury outside funding Italy's mountain of public debt.

Union leaders are anxious to keep the constitutional court decision on payments separate from reform of the system.

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Conde leaving jail yesterday

Ex-chief of Banesto freed on bail

By Tom Burns in Madrid

Mr Mario Conde, the former chairman of Banco Español de Crédito (Banesto), was yesterday released from prison – where he had been held on remand since December 23 last year – after obtaining a bank guarantee to meet bail of Pta2bn ($15m), the highest surety ever set in Spain.

The Madrid court also ordered the release on bail of Pta1bn of Mr Arturo Romaní, Mr Conde's close associate and the former chief executive of Banesto's industrial corporation.

Mr Romaní was remanded in custody a week before Mr Conde.

The two financiers are accused of defrauding Banesto shareholders but the court upheld pleas by their defence lawyers that the charges – fraud totalling Pta7bn according to Mr Conde's indictment and of Pta5bn in that of Mr Romaní – did not justify a prolonged period of preventive detention.

The charges involve a web of shell companies, some of which were jointly held by Mr Conde and Mr Romaní, that allegedly sold companies to the banking group's industrial holding at inflated prices. No trial date has been set and the legal investigation into the complex financial dealings of the two defendants is likely to last several months. The court ordered both former bankers to report once a week to the judge investigating the Banesto fraud case and confiscated their passports. Mr Conde and Mr Romaní were ousted from Banesto, along with the banking group's 19-member board, by the Bank of Spain at the end of 1993 after an inspection revealed that Banesto had overvalued its Pta7,000bn assets by Pta503bn.

Mr Conde, who was once Banesto's largest individual shareholder, later had his shares repossessed by another bank

Banesto was acquired by Banco Santander in April last year following a Pta780bn rescue plan.

Mr Conde, who was at one point the banking group's largest individual shareholder, lost his shares late last year when Banco Central Hispano called in loans totalling some Pta6bn that it made to him for their purchase and repossessed them.

Political shadow over Polish privatisation

A coalition row raises doubts about a policy once pursued with vigour, writes **Christopher Bobinski**

Wieslaw Kaczmarek, Poland's privatisation minister, says that at times he feels as if he is the only minister in the cabinet fully committed to a free market economy.

On the face of it, he has so far succeeded in turning that commitment into reality: privatisation revenues last year reached record levels and the share of output by the state sector in gross domestic product has fallen to less than 50 per cent as more and more private companies are founded while others expand.

Yet a row between the two governing coalition parties has slowed the pace of privatisation and raised doubts about the future of the policy.

It is undoubtedly Mr Kaczmarek's achievement that revenues from the 36 state sector companies sold last year to strategic investors and through public share offers reached 868.1m zlotys ($360m), almost double the 448.4m zlotys for 1993. In addition privatisation costs were squeezed by 29 per cent to 26.8m zlotys.

Critics charge that all the ministry did last year was close deals prepared by the previous government which had a clearer commitment to economic reform.

But Mr Kaczmarek maintains that 80 plants are being prepared for sale and about 50 deals should be closed in 1995. Indeed the ministry has tried to ensure that the process will continue by getting parliament to accept that revenues this year should reach 1,500m zlotys from direct trade sales to strategic investors and public share offers.

Among the concerns for sale are cement plants, chemical and pharmaceuticals factories, paper mills and cable producers. Talks between the government and ABB, the Swiss-Swedish engineering concern, as well as other bidders about the purchase of the Pafawag railway engine works in Wroclaw are advanced.

The year should also see the start of the sale of D T Centrum, a network of state-owned department stores occupying prime city centre sites, and PHS, a wholesale distribution network.

Others in the pipeline are Impexmetal, once a leading metals trader, as well as Orbis, the state hotel chain. Mr Kaczmarek also hopes to make a start on privatising Polska Miedz, the huge copper combine.

The budgetary imperative is the ministry's main weapon in clashes with its opponents, mainly in the Peasants party (PSL), coalition partner of Mr Kaczmarek's Left Democratic Alliance (SLD). The PSL, led by Mr Waldemar Pawlak, has always been suspicious of privatisation. The farm-based party is strongly nationalist and stubbornly defends its special interests.

Mr Kaczmarek and the PSL are involved in a battle over the sale of the tobacco industry which is the key to the success of the programme this year and one of the sectors in which there is still significant foreign interest.

Outnumbered: Polish privatisation minister Wieslaw Kaczmarek

Philip Morris, for example, wants to buy the Krakow tobacco works, where it has made its Marlboro brand under licence since the 1970s. The PSL argues that no more than 49 per cent should be sold to foreign investors.

The ministry maintains there will be a damaging shortfall in this year's budget if at least part of the sector, estimated to be worth 800m zlotys, is not sold.

The PSL sees privatisation as a loss of power, says one western investment banker. "They can't see how control can be exercised in different ways, through taxes and the like."

Ruch, the state-owned newspaper distribution network is another case. Mr Kaczmarek wants to put the near monopoly up for sale this year but he could face opposition from his government colleagues who see the network as a way of influencing the media, should the need arise.

The planned sale of shares in the oil refineries and the petrol distribution network is at first to be limited to 20 per cent for foreign investors.

Supporters of privatisation are also worried about "commercialisation", the jargon for a plan to turn some 3,000 state sector companies into wholly state-owned joint stock companies.

The idea was mooted as a way of streamlining management and controlling wage growth. However, under the plan, managers who enjoy a significant measure of independence from central control would be placed directly under the thumb of ministerial officials.

"Commercialisation is okay if it is a step towards privatisation. After all the companies have to become joint stock entities before the equity is sold," says a foreign banker. But he added that if companies were left in this "limbo" then "the clock will have been turned back to the centralisation of the 1960s and 1970s".

Mr Kaczmarek shares these fears and talks of a "petrification" of the state sector through the planned commercialisation move.

Indeed he suggests some of his government colleagues want to go a step further and establish large state-controlled holding companies on Italian lines once commercialisation has been completed.

His answer is to move ahead with mass privatisation schemes. Mr Kaczmarek has been a strong supporter of the current plan which will see equity in 444 state-owned companies handed to investment funds run by local and foreign managers. The shares in the funds are to be distributed to the population at large for a nominal fee.

With about 3,000 companies to be privatised, Mr Kaczmarek realises his ministry would take decades to do the job on a one by one basis.

Better, he argues, is to take the bulk of the plants and hand them over to new investment funds which could be used to capitalise the insurance and pensions system. Such an approach would also undermine opponents of privatisation.

NEWS: WORLD TRADE

Textiles compromise puts WTO back on course

By Frances Williams in Geneva

The World Trade Organisation finally got into its stride yesterday with the election of chairmen to all the main decision-making bodies.

The first meeting of the WTO's principal governing body, the general council, went smoothly after negotiators resolved a long-running dispute over membership of a key committee which will oversee liberalisation of textiles trade.

Developing countries had threatened to hold up all the appointments until the dispute was settled, preventing the WTO from operating effectively. The various councils and committees will oversee implementation of the Uruguay Round global trade accords and administer fair trade rules for virtually all the $5,000bn a year international trade in goods and services.

Mr K Kesavapany, Singapore's WTO ambassador, has been elected chairman of the general council, while Mr Donald Kenyon of Australia becomes chairman of the important Dispute Settlement Body. The councils for goods, services and intellectual property will be headed by Japan, Sweden and Hong Kong respectively. Argentina will chair the committee on trade and environment.

The 76-member general council also approved the appointment of Mr András Szepesi, Hungary's ambassador, to head the Textiles Monitoring Body (TMB) which will supervise the dismantling of trade restrictions under the Multi-Fibre Arrangement.

The choice of Mr Szepesi was part of a complex compromise put forward by Mr Peter Sutherland, WTO director-general, to settle the row over the composition of the TMB.

Developing country exporters had insisted on a majority of seats on the 10-member body, but this was resisted by importers, notably the European Union, which wanted parity. Though in a sense academic, since TMB decisions will be taken by consensus, exporters regarded the matter as one of principle.

Under the compromise, the US, EU, Japan and Canada will occupy four importers' seats on the TMB and exporters – grouped in constituencies – will have five seats. China, though not yet a WTO member, will share a seat with Pakistan.

The remaining "swing" seat will go to an ill-assorted European exporters' constituency. Norway will have the seat this year and Turkey will hold it next year.

This formula allows the honour of both exporters and importers to be satisfied – at least for the time being. The TMB membership will be reviewed again after three years.

The general council also yesterday:

- accepted Singapore's offer to host the first WTO ministerial meeting next year;
- set up a working party to negotiate WTO entry terms for Vietnam;
- established a working party to negotiate the compensation the EU will have to pay trading partners under WTO rules for trade losses resulting from its expansion to Austria, Finland and Sweden.

Brittan calls for rethink on US relations

By Nancy Dunne in Washington and Caroline Southey in Brussels

Sir Leon Brittan, EU external relations commissioner, yesterday called for a rethink of the relationship between the European Union and the US, and said good US-EU relations were necessary to develop the multilateral trading system.

Sir Leon said both the US and EU wanted to avoid a trade war over the EU banana regime and, while he had some thoughts of how to satisfy US companies being harmed by the programme, the EU would not change "the fundamental nature of the regime".

After meetings with administration and Congress leaders in Washington, Sir Leon said there was "a commonality of interests" despite the numerous squabbles between the two sides.

He called for a set of binding rules to tear down obstacles to international investment, in a speech setting out his vision for the next push in world trade co-operation.

Identifying international investment as the next key phase in trade liberalisation after tariff reductions, Sir Leon said that investment would provide a new "boost to the world economy". Time was short and governments needed to tackle "the urgent task of levelling the worldwide playing field for investors".

Speaking to the Chamber of Commerce in Washington, he warned that investment activity was fraught with difficulties, made worse by government intervention. Sir Leon called for a three-pronged offensive beginning this year which would involve bilateral talks between the US and EU, talks in the Quad (Canada, US, Japan and EU), and multilateral talks in the OECD, the WTO and at the G7 summit.

He acknowledged there were already many rules on investment but they overlapped, contradicted each other and lacked enforcement provisions. Future arrangements could not rely exclusively on bilateral arrangements, and regional arrangements had to be subject to proper oversight.

The OECD and WTO were the best-placed institutions under which universal investment rules could be introduced. The WTO provided the best umbrella since its rules would carry two advantages – they would cover everyone, including the newly industrialised countries, and they would be "real" rules, binding on all members and subject to strict dispute settlement.

Although the OECD was not truly multilateral, it should be given a mandate to continue its work on new investment rules and these should be made binding.

Heseltine urges better access to Japan

By Gerard Baker in Tokyo

Mr Michael Heseltine, the British trade and industry secretary, yesterday urged the Japanese government to accelerate its deregulation programme to allow foreign companies better access to Japan's market.

Mr Heseltine, who is leading the largest ever British trade mission to Japan, said: "It is vital that foreign firms have the chance to compete on an even footing in Japan and contribute to the Japanese economy."

He repeated Britain's request for Japanese deregulation during a meeting yesterday with Mr Yohei Kono, foreign minister, and Mr Ryutaro Hashimoto, minister of international trade and industry.

Among the UK trade party are senior executives of several leading exporters, many of whom have been meeting senior Japanese officials and businessmen in an attempt to gain better access.

"Regulations act as a barrier here in many sectors where Britain is internationally competitive – pharmaceuticals, chemicals, food and drink and retailing, to name a few," Mr Heseltine said.

The British government last year presented Japanese officials with a list of deregulation measures that would help foreign companies do business.

Despite strong growth in exports to Japan in recent years, Britain had the largest trade deficit with Japan among the leading European economies in 1994. British exports rose by 15 per cent in the first 11 months of last year to £2.7bn ($4.2bn), following an 18 per cent increase the previous year, pushing Britain into sixth place among exporters to Japan.

But imports from Japan in the same period were 5 per cent higher at £8.2bn.

Mr Heseltine did not single out any particular new growth areas, saying the trade relationship had become so "wide" that it would be a distortion to emphasise any one area.

Mr Heseltine also addressed concerns expressed by some Japanese investors that the British government was distancing itself from the process of further European integration.

A noted supporter of closer European co-ordination, Mr Heseltine said the debates Britain was having with its European partners were part of a healthy discussion among friends about how best to deepen ties within the union.

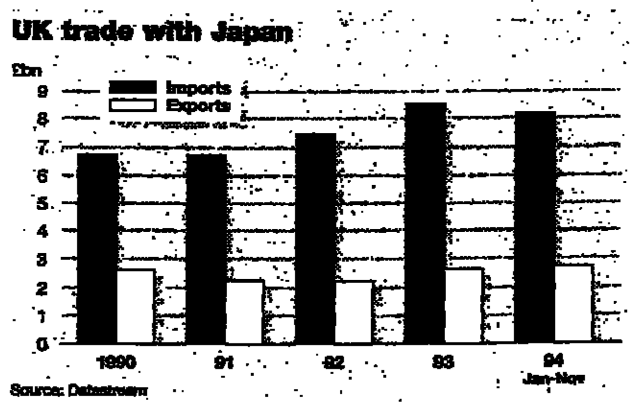
More than 40 per cent of all Japanese inward investment in the EU goes to the UK, and some Japanese companies have privately expressed concern about the antipathy of some members of the British parliament to the union.

The only major contract signed during the trade mission visit was between Britain's GEC-Marconi Inflight Systems and Japan Air System to supply Japan's third largest airline with an in-flight entertainment system, Gerard Baker reports. GEC-Marconi was chosen together with Sony Trans Com, which will provide the video and audio players for the system to be installed in JAS's new fleet of seven Boeing 777 aircraft.

The contract, worth about $10m, represents the first time a Japanese airline has bought its in-flight system from outside Japan. The British company won the deal from Japanese rival Matsushita.

The systems, mainly manufactured in Portsmouth, give passengers a range of in-flight entertainment, including gambling and video games. They can also make telephone calls and do credit card shopping from their seats. All Nippon Airways and Japan Airlines are also looking to upgrade their systems as the battle for passengers becomes more intense.

UK trade with Japan



Source: Datastream

Tokyo under fire over tax rates on spirits

By Michiyo Nakamoto in Tokyo

Mr Michael Heseltine yesterday criticised Japan for failing to rectify differences in tax rates on spirits which discriminate against Scotch whisky imports.

The difference between rates on *shochu*, a local Japanese spirit, and whisky "remains an unnecessary and unjustified barrier to international trade which I urge [the Japanese] government to rectify rapidly," the British trade and industry secretary said in Tokyo yesterday. Under Japan's current tax regime, whisky and brandy are taxed between four and seven times more than *shochu* despite a 1987 General Agreement on Tariffs and Trade finding that the system contravened Gatt rules and should be rectified.

Since the ruling, Tokyo has narrowed the differential between taxes on imported spirits and *shochu* but not enough to appease critics. "We don't think the changes which have taken place are commensurate with the scale of the problem," Mr Heseltine said.

The Scotch Whisky Association warned that unless action was taken soon by Japan, it could become the first country to face having a trade issue taken to the newly formed World Trade Organisation.

The association would act if Tokyo failed to include measures in this year's budget, Mr Hugh Morison, director general of the association, said in Tokyo yesterday. Mr Brian Baldock, deputy chairman of Guinness added: "We're talking weeks, not months. The thing that we really can't do is have another eight years of really slow progress."

The tax differential has helped *shochu* increase its share of Japan's spirits market from 61 per cent in 1989 to 74 per cent last year.

Japan thought the necessary steps had already been taken, and it might require taking the country to the WTO to prompt appropriate action, Mr Morison said.

Beijing takes row on piracy to brink

By Tony Walker in Beijing

China yesterday appeared intent on taking its trade dispute with the US to the brink by refusing to say whether it would resume negotiations in Washington this week before a February 4 deadline for sanctions.

Beijing's silence follows the failure of the two sides to agree on a package of measures to deal with widespread Chinese counterfeiting of US entertainment and information products.

The US announced last weekend that it would publish a list of Chinese imports that would be subject to punitive sanctions under Section 301 of the US Trade Act.

"If there is not agreement by February 4, I will authorise publication of a final list of Chinese imports that will be subject to 100 per cent tariffs," Mr Micky Kantor, the US trade representative, said. In Beijing, US officials were not, however, ruling out a last-minute compromise. "There are a lot of possibilities, including a continuation of negotiations after the February 4 deadline," said one.

The official noted that actual sanctions against some $1bn worth of Chinese products would not come into effect for about a month after the February 4 announcement. That period would, presumably, give a chance for further talks and possible agreement on the piracy issue.

The US is demanding that China take "concrete" measures against those involved in copying US products, including compact and laser discs, books and magazines, videos and computer software.

China has said that if sanctions are imposed it will retaliate by suspending talks with US car makers on joint ventures, and by imposing high tariffs on imports of US cassette tapes, compact discs, cigarettes, alcohol and cosmetics.

Both sides said they had made significant progress, but further detailed discussions were required.

NEWS: INTERNATIONAL

Sub-Saharan Africa hit by pullout of UK investment

By Michael Holman, Africa Editor

More than half the British manufacturing companies in sub-Saharan Africa have disinvested over the past five years despite the region's economic reforms, according to a report published this week by the Institute of Development Studies at the University of Sussex.

British disinvestment, says the report*, "may also indicate similar trends among manufacturing companies from other countries, in particular, France, Germany and the US."

It notes that the disinvestment has taken place despite World Bank economic reform programmes, introduced over the past decade by most African governments, and suggests that the reforms "may well have hastened the process".

Of 90 British companies surveyed, 28 had completely disinvested between 1989 and 1994, and 20 partially. The report, which excludes South Africa, says: "In mid-1989, 90 British companies had a total of 336 equity involvements in manufacturing enterprises in English speaking Africa. By mid-1994, there were only 65 companies with equity stakes in 233 manufacturing enterprises".

The 14 countries classified as English speaking Africa include Ghana, Nigeria, Tanzania, Zimbabwe, Malawi, Kenya, and Uganda. Together they account for 55 per cent of the region's population, and 58.3 per cent of total manufacturing value-added in sub-Saharan Africa in 1990.

The pull-out was "most dramatic in three countries – Kenya, Nigeria and Zimbabwe – where two-thirds of British equity involvement in English speaking Africa were located".

Some of the most important disinvesting companies included Allied Lyons, Courtaulds, ICI, Leyland Trucks, Chloride, Unilever, UAC, Lucas, Pilkington and RTZ, the report says.

British companies comprise 50-80 per cent of foreign direct investment in most of English speaking Africa, it says.

Low levels of profitability and foreign exchange shortages are said to be the main reasons for the disinvestment.

Commenting on the impact of devaluations of African currencies, the study says that although this "gives the manufacturing sector increased protection from competitive imports, it increases the costs of imported raw materials which many industries remain heavily reliant upon. But for foreign investors, the most serious impact of any large devaluations is that it reduces the sterling value of profit remittances by the same percentage amount".

Some of the institute's findings, including its direct or implicit criticism of structural adjustment policies, may well be challenged, however.

The report claims that new investment codes in Africa "have swept to one side many of the restrictions and impediments that had so seriously limited direct foreign investment in the past, and replaced them with a variety of investment incentives and guarantees. In addition, one stop investment centres have been established... to facilitate rapid approval of investment projects".

Many local and foreign business will argue that the reality is somewhat different. Nigeria, for example, only this year lifted restrictions on foreign shareholdings in local companies. One stop investment centres have frequently been unable to cut through state bureaucracies, while privatisation has often been slow.

Although the generally bleak picture is not likely to be disputed, the report excludes two important sectors from its appraisal – mining and oil.

Ghana has attracted significant foreign investment in its privatised gold mines, while substantial investment has continued to take place in Nigeria's oil and gas sectors.

**British Manufacturing Investment in Sub-Saharan Africa: Corporate Response During Structural Adjustment, Paul Bennell, Working Paper 13, £5 (plus £1 p&p), Institute of Development Studies, University of Sussex, Brighton BN1 9RE, Tel 0273 606261*

AFRICAN AND TOTAL OVERSEAS MANUFACTURING INVESTMENT BY BRITISH COMPANIES
Net earnings and net investment 1978-92 (£m)

	Net earnings			Net investment		
Year	Africa	World	%	Africa	World	%
1978	55	1,160	4.7	67	1,520	4.5
1979	58	1,466	3.9	62	1,397	4.5
1980	91	1,479	6.1	82	1,427	5.7
1981	81	1,673	4.8	68	2,647	2.5
1982	91	1,782	5.1	92	1,579	5.8
1983	117	2,145	5.4	52	2,120	2.4
1984	116	2,425	4.7	79	2,100	3.2
1985	157	3,060	5.0	29	2,984	1.0
1986	115	3,326	3.4	27	5,663	0.5
1987	120	4,859	2.4	75	7,714	1.0
1988	123	6,158	2.0	70	11,775	0.6
1989	140	7,477	1.9	112	11,892	0.9
1990	131	7,130	1.8	116	4,303	2.7
1991	134	6,462	2.1	89	5,106	1.7
1992	135	6,378	2.1	108	4,958	2.2

Source: Department of Trade and Industry, Business Monitor M4 Overseas Transactions, 1978-92

Israel's stock market surges

By Julian Ozanne in Jerusalem

Israeli businessmen and investors yesterday lauded the government's economic policy switch which cancelled a capital gains tax on share profits, but voiced concern about the plummeting credibility of the Labour-led government.

Share prices on the Tel Aviv stock exchange rose nearly 8 per cent as investors celebrated the government's embarrassing U-turn. The Mishtanim index of the top 100 blue chip companies rose 7.7 per cent to close at 174.87 points. Turnover was Shk250m ($82.3m), more than double the recent daily average, and all shares gained.

Mr Dan Proper, president of the Israeli Manufacturers Association, said the move would help industry by improving the conditions on the capital market. He reiterated a call for the government to lower interest rates.

But the reversal in policy left many analysts concerned about the stability of government economic policy and the credibility of prime minister Yitzhak Rabin and Mr Avraham Shochat, the finance minister.

An opinion poll published in Yediot Ahronot, the country's biggest daily tabloid newspaper, showed 61 per cent of those surveyed backed the cancellation of the tax but nearly half said the government had lost credibility.

The right-wing opposition Likud party, which has consistently opposed implementation of the unpopular tax, described the government policy flip-flop as "comic ups and downs which show the quality of government we are getting". Right-wing politicians also drew the link between indecision over the tax and the government's paralysis in the peace process with Palestinians.

Even inside the government, fears were expressed about the need to restore economic credibility. Mr Moshe Shahal, police minister, called for the immediate formation of an economic cabinet but stopped short of reiterating his previous demands for the resignation of Mr Shochat.

But Mr Shahal also appeared to appeal for further populist economics by attacking the Bank of Israel's tight monetary policy aimed at curbing inflation of 14.5 per cent, raising fears that the government is rapidly being overtaken by growing alarm about its popularity ahead of elections next year.

Mr Jacob Frenkel, governor of the Bank of Israel, contrasted the government's economic humiliation with his monetary policy, which he said was not susceptible to public pressure.

"When we look ahead, what is important is that those who design economic policy will persist in a clear and systematic way because in the long term a stable economy is a key to bourse success," he said.

INTERNATIONAL NEWS DIGEST

Algiers bomb 'derailing talks'

The explosion in the heart of the Algerian capital on Monday is aimed at derailing recent efforts at political dialogue, Mr Hocine Ait Ahmed, leader of the opposition Socialist Forces Front (FFS), said yesterday. In an interview Mr Ait Ahmed said the accord that opposition parties reached in Rome last month "marked a turning point in the political evolution of the country and sparked a glimmer of hope and it is this momentum for peace which extremists, both in the region and among Islamists, are attempting to break."

The army-backed government has blamed Islamist guerrillas for the bomb which exploded outside the central Algiers police headquarters and left 42 people dead and 256 injured No one has claimed responsibility. The explosion occurred amid rising tension between opposition parties and the Algerian regime. Opposition parties, including the Islamic Salvation Front (FIS), whose election victory in 1991 was cancelled, the FFS, and the National Liberation Front, Algeria's former ruling party, signed a joint declaration in Rome two weeks ago urging the government to enter into talks leading to a transitional administration and preparations for elections. The government and the Armed Islamic Group (GIA) of radical extremists, rejected the so-called declaration. *Roula Khalaf, Lausanne*

Call for international attack on crime

An international group of law enforcement officers and politicians yesterday launched a drive for an international convention to combat business and political corruption. A so-called Davos group, including Mr Thomas Constantine, head of the US Drug Enforcement Agency and Mr Raymond Kendall, secretary-general of Interpol, agreed to press for a convention under UN auspices which would attack corruption in similar way to existing conventions on drugs and terrorism.

The group said corruption was at unprecedentedly high levels and huge money laundering operations by organised crime posed a threat to legitimate business and the integrity of the global financial system. Officials have been increasingly concerned that criminals are acquiring businesses within which they can hide activities. Mr Kendall said crime and corruption were global problems. *Peter Norman, Davos*

Norway-Iran relations worsen

Relations between Norway and Iran worsened yesterday when Norway's government downgraded diplomatic relations with Iran, withdrew indefinitely its ambassador and cut state export guarantees for economic co-operation, in protest against the death edict on British author Salman Rushdie. Mr Bjorn Tore Godal, Norway's foreign minister, told parliament that the ambassador to Tehran, for consultations in mid-January, would remain in Oslo and said there would also be a moratorium on official visits and promotions of trade.

Relations between the two countries began deteriorating more than a year ago when Mr Rushdie's Norwegian publisher was shot and seriously wounded by unknown attackers. Tehran has denied any involvement and no arrests have been made. Last October, Iran recalled its ambassador to Norway for being conciliatory about the death edict. *Karen Fossli, Oslo*

New code on alcoholism at work

Between 3 and 5 per cent of workers worldwide suffer from alcoholism and up to a quarter drink heavily enough to be at risk of alcohol dependence, the International Labour Organisation said yesterday. In the US alone, alcohol and drug abuse is estimated to cost industry some $250bn (£157.2bm) a year in accidents, absenteeism and reduced productivity. The ILO, has drawn up a new code of conduct on alcohol and drug abuse in the workplace. *Frances Williams, Geneva*

Zimbabwe raises taxes to avert reform breakdown

By Tony Hawkins in Harare

Zimbabwe has been forced to raise more than Z$1.5bn (£112m) in additional taxes over a full year to avert a breakdown of its economic reform programme.

Although parliament is in session, President Robert Mugabe's Zanu-PF party has so far avoided a promised mini-budget statement, resorting instead to a series of little publicised gazetted announcements.

The latest measures reverse tax reductions promised in last year's budget and contradict aspects of the reform programme. The 1994 budget projected tax revenues of some Z$13bn, so the estimated Z$1.5bn tax increase represents an 11.5 per cent rise in government revenues, equivalent to 3 per cent of gross domestic product.

It is unclear whether the "drought surcharge", on individuals and company taxpayers, is 5 per cent or 10 per cent. Newspaper reports say the surcharge is to be 10 per cent, but tax accountants say there are two figures – one of 5 per cent and one of 10 per cent – in the draft bill.

A 10 per cent levy would raise about Z$700m in a full year, while in a move that will bring an estimated Z$650m in a full year, the general sales tax has been increased to 12.5 per cent from 10 per cent while the rate on vehicles is increased by 5 per cent to 20 per cent.

Excise duties on opaque (traditional) beer is to be increased by 29 per cent and on lager beers nearly 40 per cent. Duties on spirits have increased more than 50 per cent. Cigarettes will go up some 20 per cent in price, with a spokesman for BAT Zimbabwe describing the increase as the largest ever experienced.

The flurry of activity leaves little doubt that the Mugabe government was forced, under intense pressure from the Washington multilaterals, to impose politically unpopular tax increases only weeks before parliamentary elections, scheduled for March or April.

Indeed, the sales tax increase gazetted last week applies to sales from the previous week.

Increased consumption taxes, which will apply for the final five months of the 1994-95 fiscal year ending on June 30, are expected to raise Z$400m this year. The income tax surcharge will take effect only from April 1, raising approximately Z$100m.

Claims by the IMF and World Bank that Zimbabwe's structural adjustment programme is on track have provoked a sharp response from local business people and economists, who point out that taxes were supposed to decline during the five-year programme that ends later this year.

The government is also facing criticism for its failure to make a public statement on the tax changes, and its efforts to blame the crisis on the drought rather than overspending and overborrowing.

Thai foreign minister quits

By William Barnes in Bangkok

Mr Thaksin Shinawatra, Thai foreign minister, announced his resignation yesterday after a controversy about potential conflicts of interest.

Mr Thaksin, one of the country's most successful businessmen, said he would step down on February 11 – before a constitutional tribunal can rule on whether he can legally hold the portfolio. He had held the job for only three months.

When he was appointed many critics said it was wrong to give this delicate job to an aggressive entrepreneur who built up his Shinawatra telecommunications group on his ability to win contracts from Thai and foreign governments.

Mr Thaksin's position was made more difficult when a new constitution was passed in December that bans ministers from holding government monopoly concessions. He refused to divest his more than $2bn worth of shares in the Shinawatra group which owns, for example, the country's two commercial satellites and a mobile telephone concession.

On becoming foreign minister he resigned as chairman of his flagship Shinawatra Computer & Communications group in favour of his wife. This was not thought enough, however, to distance him from the corporate empire.

Mr Thaksin, who is not an elected MP, was offered the foreign affairs portfolio three months ago when Mr Chamlong Srimuang, the leader of the Palang Dharma (Buddhist force) party, sacked all 11 of his party's ministers to try to boost its flagging popularity.

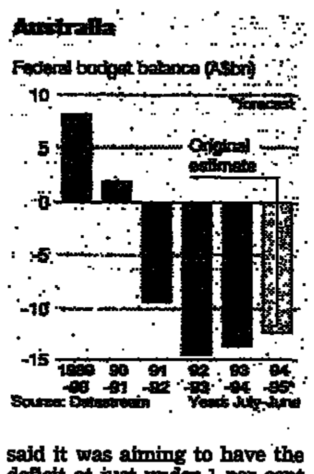
Mr Chamlong's critics within Palang Dharma will now ask why the risk of appointing Mr Thaksin was taken in the first place.

The new foreign minister will probably come from one of Palang Dharma' MPs. Although there is a dearth of outstanding candidates, one possibility mentioned yesterday was Mr Krasae Chanawong, currently universities minister.

Because of his short tenure Mr Thaksin's departure is unlikely to disrupt Thai foreign policy. Most of the more innovative policy initiatives, covering cross-border economic co-operation, have been taken by Mr Supachai Panichpakdi, a deputy prime minister.

Australia raises deficit forecast

By Nikki Tait in Sydney



The Australian federal government yesterday alarmed financial markets when it revealed that its budget deficit for the 1994-95 financial year will be about A$500m ($384.6m) higher than expected, while the country's current account deficit is likely to reach A$25bn compared with the A$18bn forecast last May.

The new budget deficit forecast, contained in the Treasury's mid-year review, is A$12.3bn, or 2.6 per cent of gross domestic product, compared with the earlier estimate of A$11.7bn (2.5 per cent). If the new forecast for the current account deficit is correct, this will be 5.75 per cent of GDP.

Mr Ralph Willis, treasurer, told parliament the government planned to "significantly tighten" fiscal policy in its May budget in an effort to get its finances in surplus by 1996-97, two years earlier than previously expected. In its budget last May, the government had said it was aiming to have the deficit at just under 1 per cent of gross domestic product by 1996-97.

Mr Willis gave no hint about measures being considered to speed the deficit reduction plan. While some economists described the new commitment as encouraging, most reserved judgment until more details were known.

Mr Willis made clear that new fiscal measures will form part of the "normal" budget, due on May 9, putting paid to hints that a more immediate mini-budget might be coming.

At the same time, Mr Kim Beazley, finance minister, announced that the flotation of the government's 75 per cent interest in Qantas is now scheduled to occur between mid-May and mid-July.

The slightly delayed timetable would enhance the chances of picking favourable market conditions. Qantas, in which British Airways holds a 25 per cent interest, had previously expected a market debut in the first half of 1995.

Mr Willis said the revised A$12.3bn deficit figure for 1994-95 largely reflected the fact that the A$2bn-plus proceeds from the Qantas sale would now fall in the 1995-96 financial year, thus offsetting the estimated A$2.2bn boost which Australia's higher-than-expected growth rate had given to revenues.

But this explanation did not prevent a sharp rise in bond yields, as dealers interpreted the government's revised forecasts as further evidence that the economy is overheating. The 10-year bond yield rose from 10.17 per cent to about 10.38 per cent by late afternoon.

The mid-year review also enhanced market fears that today's balance of payments figures for December will show a sharp rise on the current account. Some economists are forecasting a record monthly deficit of more than A$2.3bn.

The mid-term review also suggested Australia's headline inflation rate is now likely to be about 3.25 per cent in 1994-95, against last May's estimate of 2.25 per cent.

This is blamed largely on higher mortgage rates and consumer credit charges. The underlying rate is now forecast to show a year-on-year rise of 2.25 per cent, only slightly higher than last May's 2 per cent forecast.

Forecasts for the country's growth rate overall are also revised upwards, from 4.5 per cent to 5.5 per cent, while business investment is now thought likely to increase by 24 per cent this year, compared with the previous 14.5 per cent estimate.

The unemployment rate, by the June quarter, is forecast to be 8.5 per cent, one percentage point lower than in the May budget estimates.

Later, Mr Paul Keating, prime minister, said he did not see any need for further adjustments in monetary policy in the near future. Australia has seen three interest rates increases since August; some analysts have suggested a further rise could occur in the first half of 1995.

"I don't believe there is a cause for any adjustment," he replied when asked if a rise was likely in the short term. "That is why the treasurer again stressed today that the terms of policy will be looked at in the budget."

Protests mount over NZ interest rates

By Terry Hall in Wellington

The New Zealand Reserve Bank faces further protests from farming and other interest groups after encouraging another lift in market interest rates yesterday. This followed the release of statistics that showed the economy was continuing to grow at an almost record rate.

Mr Don Brash, bank governor, sharply tightened monetary policy in November following signs of strong economic growth. That drew the first criticism of any significance since the central bank four years ago was given independence in setting monetary policy with the aim of keeping inflation below 2 per cent.

Statistics New Zealand reported yesterday that gross domestic product growth ran at 2.2 per cent in the three months to September for an annual rate of 6.2 per cent, only 0.1 point lower than the record set in the June quarter. Other statistics showed that a record NZ$500m ($320m) worth of new construction was authorised in November.

The Reserve Bank issued a statement saying it would be "unhelpful" if interest rates fell. The money markets immediately pushed short-term wholesale rates up by around half a point.

In November Mr Brash issued a series of statements expressing concern about inflation. This led to a sharp rise in domestic interest rates and the New Zealand dollar.

Lobby groups, such as farmers, builders and regional politicians, pointed out that the statistics showed most of the inflationary pressures were being felt in Auckland, the main population centre.

Auckland house prices have soared, encouraged by a big influx of wealthy Asian migrants. The bank's critics said there was little growth in house values and wages outside Auckland.

The powerful Federated Farmers organisation, in the past a staunch supporter of the Reserve Bank Act, announced yesterday it was gathering evidence to make the bank acknowledge the difficulties the farming sector was facing from a severe drought.

The farmers say the drought is worsening their problems following the 10 per cent rise of the local dollar against the US currency in recent months and higher interest rates. Mr John Boddy, Federated Farmers' vice-president, said that in a country heavily dependent on farming, the drought was slowing the economy sharply, and the bank was "fixated" with the Auckland property boom.

President Bill Clinton has invited Premier Jim Bolger of New Zealand to visit the White House next month, ending an 11-year freeze in relations which began when the former Labour government passed anti-nuclear legislation effectively stopping the visit of naval vessels to New Zealand, Terry Hall reports. The legislation, which led to the exclusion of New Zealand from the Anzus Pact, strained ties with Australia and other former allies, including Britain.

The National party government has sought since 1991 to repair relations, especially with the US. But this has been frustrated by public opinion supporting the anti-nuclear legislation, which remains in force.

The invitation came at the end of a visit to Wellington by Mr Strobe Talbott, US deputy secretary of state and the most senior official to visit since 1984. But he ruled out closer defence links while the legislation remained active.

ASIA-PACIFIC NEWS DIGEST

Pakistan arrest in sell-off row

The Pakistani government yesterday announced the arrest of Mr Saeed Qadir, former chairman of the country's privatisation programme, on charges of fraud. Mr Qadir, at present an opposition senator, has been accused of "criminal irregularities" in the sale of a government-owned PVC pipe factory three years ago.

The government says the company was given extra time by Mr Qadir to pay its dues, and the price of its property holdings was cut after the sale. As a result, the government claims, it lost up to Rs36.5m ($1.2m). The company was valued at Rs126m. Mr Riaz Shafi, the new owner, was also arrested. Mr Naseerulah Khan Babar, interior minister, said two pother cases were pending. Officials said that up to five companies among the 50 privatised between 1991 and 1993, during the premiership of Mr Nawaz Sharif, were being investigated. Mr Babar rejected suggestions that the cases could hurt the country's privatisation plans and denied the action represented victimisation of the opposition. *Farhan Bokhari, Islamabad*

'Hundreds killed' in Kashmir

Security forces in India's Jammu and Kashmir state have illegally executed hundreds of men, women and children since 1990 and routinely tortured suspected Moslem separatists, Amnesty International claimed yesterday. India rules part of disputed Kashmir, gripped by a five-year secessionist rebellion, and one-third is ruled by Moslem Pakistan.

The London-based rights group, in a report issued at the start of the annual session of the United Nations Human Rights Commission, said India was one of five persistent offenders against which the commission had needed to take action this year. It named the others as Turkey, Indonesia, Algeria and Colombia. India dismissed the report as unfounded. A government official said it was based on information from "questionable sources and vested interests," adding that it was unfortunate that Amnesty had published the report without "waiting for the government's response or verifying the allegations." *Reuter, Geneva and AFP, New Delhi*

■ Mr Alexander Downer, who stepped down last week as leader of Australia's federal opposition, is to take over the shadow foreign affairs portfolio following a limited reshuffle announced by Mr John Howard, the new Liberal party leader. *Nikki Tait, Sydney*

■ The Philippine Department of Finance raised its estimated 1994 budget surplus to 18.14bn pesos ($737m) against an earlier estimate of 13.77bn pesos. The surplus, the Philippines' first for 20 years, compares with a 21.89bn pesos deficit in 1993. *Reuter, Manila*

■ Mr Suresh Shankar Nadkarni, who as chairman of the Securities Exchange Board of India was chief regulator of India's swiftly emerging stock markets, died yesterday after a heart attack. He was 61 and had earlier headed the Industrial Credit and Investment Corporation of India and the Industrial Development Bank of India. *AP, New Delhi*

Japan's economic recovery holds little joy for jobless

By William Dawkins in Tokyo

Japan's jobless averaged a record 2.9 per cent of the workforce last year, official figures released yesterday show.

The unemployment rate, while below the post-war high of 3.1 per cent in May 1987, is the highest average recorded for a full year. It shows little sign of declining soon, on the evidence of the latest job market report, for December.

The number of people in work, a more sensitive Japanese labour market indicator than the jobless rate, which is widely thought to understate the truth, fell by an annualised 0.3 per cent in December, the sixth monthly decline running, the government's management and co-ordination agency said.

The number of hours worked fell 0.7 per cent at the same time, implying a 1 per cent decline in total working hours. Only 64 jobs were available for every 100 job seekers in December, the fourth month the ratio has stagnated at that level.

Analysts expect the jobless rate to fall gradually this year, as the gentle economic recovery starts to feed through into increased corporate activity. The job market is expected to remain weak enough to keep the offers-to-applicants ratio below 100 for the coming 12 months at least, James Capel Pacific predicts.

The fall in manufacturing jobs continued, down 3.7 per cent in the year to December, the mark of a structural change in favour of service industries, which employed 2.3 per cent more people in December than in the same month in 1993.

Construction jobs rose 1.4 per cent over the same period, helped by the government's policy of supporting new housing with cheap home loans. Japan's housing-starts completed their third annual rise in 1994, up by 5.7 per cent.

The building industry did less well in 1994, when orders received by the top 50 companies fell by 2.7 per cent to Y19,200bn ($198bn).

The main factor was a fall in demand from manufacturing industry. However, overall construction orders rose 6.1 per cent in December.

● The Japanese public's faith in its government has been shaken by the slow official response to the Kobe earthquake, the first opinion polls since the disaster show.

Nearly 48 per cent of respondents to a survey in the Yomiuri Shimbun newspaper criticised Prime Minister Tomiichi Murayama for being slow to react – nearly twice as many as the 25 per cent who blamed local government.

A survey by the Nihon Keizai Shimbun found 44 per cent dissatisfied with the government's handling of the quake. Support for the Murayama government fell 5 percentage points from the previous survey, in November, to 36.8 per cent.

The opposition shows no inclination to oust him while the government is struggling to clean up after the Kobe tragedy.

Apathy and presidential weakness scupper debt plan

George Graham on how Mexican rescue went from *fait accompli* to failure

When President Bill Clinton first announced a plan to guarantee up to $40bn of Mexican debt on January 12, it seemed close to a fait accompli. With the formal endorsement of both parties' leaders in the Senate and the House of Representatives, how could a plan that promised to rescue one of the US's largest trading partners, at no cost to the US budget, possibly fail?

Three weeks later, Mr Clinton has had to pull the plug on a plan that has been tarred as a bail-out for an incompetent regime and the Wall Street fat cats who invested in it.

"I for one do not think it's wise for the United States to underwrite bad decisions by Mexico, big international banks and all others who have overextended," said Republican Congressman Jim Bunning of Kentucky.

Opinion polls show more than 70 per cent opposition to the loan guarantees. Although business and agricultural groups have belatedly begun to mobilise the lobbying power that helped push through the North American Free Trade Agreement in 1993 and the General Agreement on Tariffs and Trade last year, they are rubbing against the grain of a newly populist Congress.

The Mexican loan guarantees have proved particularly unpopular among the first-term Republican members of Congress. As they wander around an unfamiliar Washington with well thumbed copies of their "Contract with America" manifesto in their coat pockets, the Mexican package has seemed at best a sidetrack, at worst a devilish plot to distract them from the agenda their constituents elected them to pursue.

In the end, however, Speaker Newt Gingrich, who so far has been able to maintain a rigid party discipline, might have been able to deliver the freshmen's votes.

But without the text of a bill, there was nothing to build support around. The failure to produce a text, after nearly three weeks of haggling, reflected much older rifts in Congress.

Every time Congressman Jim Leach, the chairman of the House banking committee and chief draftsman of the loan guarantee legislation, moved in the direction of Democratic demands for language requiring Mexico to strengthen labour rights and tie future wages to productivity gains, he alienated Republicans who had fought the same labour conditions during negotiation of the original Nafta.

Since they first announced their support for the loan guarantee package, Mr Gingrich and Senator Robert Dole, the Republican leader in the Senate, have grumbled about the inadequacy of Mr Clinton's leadership on the issue.

Whether they initially felt they were simply doing their patriotic duty in supporting the Mexican plan, or whether they saw it as a relatively painless way of demonstrating their willingness to work in a bipartisan way with the president when appropriate, neither has seen any need to exert himself greatly on behalf of the legislation.

And neither was willing to deliver Republican votes on a platter unless Mr Clinton could promise at least half of the Democrats in Congress.

Mr Clinton's inability to deliver even so small a percentage of his own party shows how far his standing has slipped.

Although opinion polls in the last few weeks show Mr Clinton making something of a comeback in popular esteem, many congressional Democrats still blame him for their November election thrashing. Even those inclined to support him have been little help on an issue where few see any electoral profit to be made.

"I know no one in the financial community who is against this. I know no one in my constituency who is for it," said Senator Dianne Feinstein, a California Democrat.

And Senator Daniel Moynihan, a New York Democrat, took the opportunity of a speech favouring the loan guarantees to rail against Mexico as a "Leninist state".

Only success can restore the president's credit with his own party, and successes may be hard to come by with the Republicans making all the running on domestic policy.

Deal for Mexico not happily reached

Peter Norman on tensions between the US and Europeans over crisis support

Central bankers and other senior economic policy makers meeting in Davos over the weekend had assumed that President Bill Clinton's $40bn loan guarantee scheme for Mexico would fail to win congressional approval. With the Basle-based Bank for International Settlements at the centre of their efforts, they began putting together an alternative support package, which turned out to be bigger than the $40bn of the US plan and the $18bn of central and commercial bank support promised at the beginning of last month.

And they knew that finance ministers and central bank governors of the Group of Seven leading industrial countries would be in a position to give it their support and settle the details at their meeting in Toronto next weekend.

There are still differences about the details of the BIS's contribution, which Mr Clinton said yesterday would be $10bn – double its earlier commitment. The BIS said it was "true discussions are going on" but that the terms and conditions had to be worked out.

Indeed, the discussions between the central banks and finance ministries of the leading industrialised countries were never easy. Tensions emerged between the US, which, though not a BIS shareholder, sought support through the Basle-based central bankers' bank, and some of its leading European shareholders.

The German Bundesbank and the Dutch central bank are understood to have been offended by US failures to keep its international partners fully informed of developments and the US assumption that European central banks and governments should intervene financially in what they consider primarily a US problem.

Some European officials believe that the main reason for the US support of Mexico is to avoid losses at US financial institutions and banks. They are also weary of providing support for Mexico. Last year, the BIS provided two $6bn stand-by credits, which Mexico did not need to take up.

Officials point out that there was no question of European Union countries soliciting US financial support during the currency crises in the European exchange rate mechanism in 1992 and 1993.

The original $18bn international support package envisaged the US providing $9bn, Canada $1bn, the BIS $5bn in bridging finance and commercial banks $3bn. The BIS finance was to be backed by member central banks in Europe and Japan because the BIS, unlike the International Monetary Fund, cannot assume a significant credit risk.

The US then requested a doubling of the BIS contribution to $10bn. The negotiations over the past few days were to determine whether this increased sum, which was at first supposed to be conditional on congressional approval of the $40bn loan guarantee scheme, would be provided for Mexico in the event of an adverse congressional vote, and if so under what terms.

The original $18bn package was to be available for rather more than a year. New support would have to be made available for longer because of the deepening of Mexico's financial crisis in recent weeks. Some observers believe the country could need such support for up to three years.

The circumstances of the US request for a doubling of the BIS share have left ill feeling in Europe. According to one central banker, it was made without prior consultation.

The Europeans are wary of having the guarantee burden transferred to them from Washington. They are therefore seeking some collateral from Mexico, or the US, and insisted on an increase in the participation of the US.

Collateral poses a problem in Mexico's case. It has only a small supply of gold at the BIS, for example.

To overcome this problem, it has been suggested that the US contribute the first part of any financing if Mexico needs to draw on the package. Some European officials have also proposed that the BIS countries be paid back first if Mexico's needs require a further drawing on that part of the financing provided through the BIS. However, the US disapproves of such a "last in, first out" system and has argued that Mexico should make parallel drawings on the various parts of the package if it needs such support.

Some non-US officials expected the US to be able to make a bigger contribution by providing more swaps from the Federal reserve system or the US Treasury or by use of its exchange stabilisation fund. These measures would not need congressional approval.

In spite of the negotiating difficulties, it appears that the deepening of Mexico's financial crises and the exceptional efforts of the IMF persuaded European central bankers to support the alternative to congressional guarantees.

But the process has exposed weaknesses in co-operation at official level between the US and its European allies that could take some time to heal.

Relief over credit line

By Leslie Crawford and Ted Bardacke in Mexico City

Mexico's government and financial markets reacted with relief yesterday at the $50.76bn credit line extended by the US Treasury, International Monetary Fund and Bank of International Settlements to solve the country's financial crisis.

"Our problems are over," Mr Ariel Buira, vice-governor of the Bank of Mexico (central bank), said. "This is real money, as opposed to the US package of loan guarantees. It gives us more flexibility, it will allow us to meet our short-term obligations and restore confidence in the Mexican peso." He said part of the credit package could be drawn down as early as Friday, if the IMF board of directors approved its $17.76bn contribution at a meeting today.

The Mexican stock market was up 7 per cent in midday trading, while the peso also firmed to 5.85 against the dollar, from 6.3 at Monday's close.

"It has worked out well for Mexico because the US Treasury doesn't impose political conditions like the US Congress," Ms Joyce Chang of Salomon Brothers said. "It gives the government very liquid funds very quickly."

Brokers said financial markets were responding positively, but that now was the time to examine the longer-term effects of the December devaluation of the Mexican peso, including its impact on prices and the banking system.

At the central bank, Mr Buira said the resources would initially be used to repay the holders of *tesobonos* – short-term, dollar-linked debt – as maturities fell due. He expected domestic interbank rates to fall as stability returned to financial markets. Interbank rates had shot up to an annualised rate of 48 per cent in Mexico and were beginning to threaten the health of the domestic banking system.

The Finance Ministry said the US Treasury was increasing its contribution to Mexico's currency stabilisation fund from the $9bn pledged in December to $20bn. Furthermore, it said the loan was being extended over a period of three to 10 years, as opposed to the original three- to six-month period. "These resources will be available to substitute short-term debt," the ministry said. Mexico has some $28bn of *tesobonos* which must be repaid this year; $1.3bn alone matures this week. A *tesobono* auction due to be held yesterday was suspended.

The Finance Ministry said the IMF had agreed to increase the amount of a standby credit requested in a letter of intent signed last week from $7.76bn to $17.76bn, and the Bank of International Settlements "was analysing the possibility of doubling a credit line to Mexico from $5bn to $10bn".

The ministry said it was also counting on a $3bn loan from commercial banks to complete the $50.76bn being made available to Mexico.

It said the new financial package would "fully meet the objective of stabilising the financial markets. Therefore, the proposed US plan of loan guarantees will not be necessary and, due to its complexity, will no longer be pursued."

Voters put more faith in Clinton than analysts

By Jurek Martin in Washington

The gap between Washington's political perceptions and those of the US at large is frequently wide and may be growing wider, according to opinion polls and recent developments affecting both main parties.

The most marked contradiction is to be found in President Bill Clinton's approval ratings. These have risen appreciably, if temporarily, in spite of criticism in the capital that his state of the union message was too long and lacking in definition and discipline.

Yesterday's Washington Post-ABC News survey gave him 54 per cent approval, up 10 points in a month and the highest rating he has enjoyed in 10 months. Most other polls have also pushed him above the 50 per cent level. Mr E J Dionne, the columnist, wrote yesterday that "the voters were a lot less rough on the president than the analysts were" and might in the end prefer his approach to "hard edged" conservative positions.

Yet Senator Bill Bradley, the New Jersey Democrat, has become the latest party heavyweight to suggest the president is so weak that he may face a challenge in next year's presidential primaries. He doubted he would be the challenger. The decision on Monday by Mr Jack Kemp, the former congressman and Bush administration housing secretary, not to enter the race for the Republican nomination, is in the same category.

Mr Kemp, once a conservative standard-bearer, is respected in Washington for his principles. But he has progressively found himself at odds with the new Republican creed associated with the grass-roots movement built up by Congressman Newt Gingrich, the speaker.

Mr Kemp opposes constitutional amendments to balance the budget and limit the terms of members of Congress. He has also spoken out against tighter control over legal and illegal immigration. Mr Vin Weber, former Republican congressman from Minnesota and a co-founder with Mr Kemp of the Empower America think-tank in Washington, commented: "The party's different; it is more protectionist, austerity has replaced growth as the economic lodestar for the time being, and we have a huge burden of proof in the minority community that hasn't been met."

Most polls have found a measurable increase in the approval of Congress since it came under Republican control. But Mr Gingrich's exposure to greater scrutiny has produced mixed results. The Post poll recorded a five-point jump to 40 per cent on the positive side but an 11-point rise, to 48 per cent, in disapproval of his performance.

Peru denies accepting Ecuadorean border ceasefire

Peru's Foreign Ministry yesterday denied that it had accepted Ecuador's decision to declare a ceasefire in the hostilities along the two nations' common border, an official source at the ministry told Reuters.

The ceasefire agreement would pave the way for a meeting of the guarantors of the 1942 Rio Protocol (Brazil, Chile, Argentina and the US) in Rio de Janeiro to mediate the dispute.

A meeting by the permanent council of the Organisation of American States on Monday heard both Peru's and Ecuador's position and convoked a ministerial meeting of the member countries in Montevideo. The date for the meeting has not been set.

Although there were no reports of border clashes yesterday, the propaganda war continued. Radio Programas del Peru, in a report from its correspondent from the centre of military operations in Bagua, quoted a high-level military official as saying that Peruvian forces had recovered "all of the territory invaded".

Clashes along the border erupted last Thursday. Ecuador says 31 have died in the conflict, 27 of them Peruvians. Peru has confirmed five Peruvians died and two were wounded.

Above: Peruvian soldiers wait for breakfast at a control point on the border with Ecuador. Picture: AP

Crisis boosts Argentine plans for privatisation

By Stephen Fidler, Latin America Editor

The sense of crisis generated by Mexico's financial problems will allow the Argentine government to advance plans for the privatisation of the country's provincial banks, Mr Domingo Cavallo, the Argentine economy minister, said yesterday.

He said the banks, owned by the country's provincial governments, had suffered withdrawals of deposits, forcing them to turn to their governments for help.

He said Buenos Aires would use funds from the international financial institutions to provide finance to the provinces to help the banks – but only if they privatise the banks they owned. The federal government had been pressing for the privatisation of the banks, which had provided some $1.8bn in loans to provincial governments over the last two years, but had not had the power to order it.

Mr Cavallo, speaking to the FT in London, said he believed the provincial banks would find buyers, and expected to see interest from Chile and Brazil.

He described the Argentine banking system as "strong and solid", and said stability was enhanced by high reserve requirements. This had limited the expansion of bank deposits to just 2.5 times the monetary base, compared with six times in Mexico.

He said, in contrast to Mexico, Argentina had not allowed a large build-up of short-term debt. The government had some $5.2bn of maturing debt this year, but had cut its borrowing programme to $900m – and even this reduced programme might be abandoned if markets were not receptive. The difference would be raised domestically, including through new offerings of short-term bills to be offered to financial institutions which could raise up to $2bn by the year-end. He said $1.5bn of private sector debts abroad matured this year.

● Mr Antonio Casas, Venezuela's central bank president, said yesterday he was concerned about deposit withdrawals from five Venezuelan banks this week, following press reports that losses at the banks were worse than thought. He said agreement had been reached to recapitalise four of the banks – including Banco Union, the country's fourth largest bank – which could all be saved.

The government has already taken over a large part of the banking system since the collapse of the first bank, Banco Latino, in January 1994. He said moves were going forward to privatise Banco Latino, and Banco de Venezuela, which has grown since it was taken over by the government.

Telecoms draft bill due

By George Graham

Senate Republicans are expected to produce their first draft of a telecommunications reform bill today, pressing ahead with efforts to let local and long-distance telephone companies, utilities and cable television groups enter one another's markets over the next three years.

Senator Larry Pressler, chairman of the Senate commerce committee, has been working on a bill that would set out a timetable for deregulating the telecommunications markets. The bill is intended to replace both the 60-year-old law which governs the sector and the 10-year-old court order that broke up the old AT&T monopoly and created seven regional "Baby Bells" limited to providing local telephone service.

An outline of Mr Pressler's bill includes the following proposals for the first year:

● Lifting the barriers to the provision of local telephone service while allowing the Baby Bells to offer incidental services as well as long-distance telephone service outside their home regions.

● Lifting the ban on cross-links between telephone and cable companies.

● Allowing utilities into telecommunications.

● Requiring Baby Bells to level the playing field for competitors by ensuring dialing parity, so consumers do not have to dial a long code to use a competitor's service, and number portability, so consumers can easily switch to a rival phone company.

At the end of three years, the bill envisages:

● Baby Bells would be fully released from the court-ordered prohibition on their entry into long-distance telephone and telecommunications equipment manufacturing.

● Competition would be allowed on short-haul long distance – the middle-range market where calls are now carried by local companies at much higher rates than in the competitive long-distance market.

The draft bill moves closer to the demands of the Baby Bells than the bill produced last year by Senator Ernest Hollings, who chaired the commerce committee when the Senate was still Democrat-controlled, because it sets fixed dates for allowing the different companies into new markets. Mr Hollings would have allowed the Bells into long-distance and other markets only when they could prove that they had opened their own local markets to competition.

Baby Bells are still expected to complain that the Pressler bill allows others into the local phone market after only one year, while forcing them to wait for three years before they can enter the long-distance market freely.

Labour cost index up 3% last year

By Michael Prowse in Washington

The US employment cost index – a broad measure of labour costs – rose 3 per cent last year, the smallest increase since it was created in 1981, the Labour Department said yesterday.

Separate figures indicated that consumer confidence edged down in January but remained close to its highest level in the past four years.

The figures were published as Federal Reserve governors and regional presidents began meeting in Washington to set monetary goals for 1995.

The Fed is widely expected to signal a half-point increase in short-term interest rates to 6 per cent when the meeting concludes today, despite the reassuring news on wage inflation and uncertainty about the outlook for the Mexican peso. The Fed is thought to favour a further tightening of monetary policy to curb rapid economic growth.

The consumer confidence index was 102.1 against 103.4 in December, the Conference Board, a New York business analysis group, said yesterday. Historically, confidence readings of about 100 have signalled low unemployment and strong economic growth.

However, the survey revealed continuing concern about the availability of jobs. About one in four respondents said jobs were "hard to get" against about one in five who regarded jobs as "plentiful".

The employment cost index rose 0.7 per cent in the final quarter of last year, against 0.8 per cent in the previous three months. The index includes the cost of fringe benefits such as pensions and healthcare as well as wages and salaries.

Cuba sees recovery

By Pascal Fletcher in Havana and Stephen Fidler in London

The Cuban economy has stopped declining for the first time since the break-up of the Soviet bloc five years ago, according to Cuba's leading economic policy-makers, who promise to push ahead with more reforms and seek more foreign investment.

"The Cuban economy did not fall in 1994, we have stopped the decline," Mr Jose Luis Rodriguez, finance minister, said on Monday in London, where he signed an investment promotion and protection agreement with Britain. Cuban Vice-President Carlos Lage gave the same message to the World Economic Forum in Davos, Switzerland, at the weekend.

He said that after several years of sharp contractions, Cuba's state-run economy grew 0.7 per cent in 1994.

Both officials cited tourism, which has received significant foreign investment, as a sector that helped the economy reverse its negative trend. Tourism grew 14.4 per cent in 1994, while 15 of Cuba's 20 main industries, including oil output and some food production, also recorded growth.

This excluded the troubled sugar sector, traditionally the main export earner, which is heading for a third consecutive record low harvest.

Mr Rodriguez said foreign investment interest in Cuba had picked up sharply in 1994. Cumulative investment commitments had risen to around $1.5bn by the end of the year from around $400m a year before, although real investment flows were significantly less. A new law to improve investment conditions and guarantees was being prepared and would probably be presented to Cuba's National Assembly for approval in June.

Mr Lage said Cuba's opening to foreign investment was "irreversible". "We're not trying to fool anybody. We're not offering our foreign partners a transition to capitalism. Cuba is and will continue to be a socialist country. What we are offering for the future is above all stability and continuity in the strategy being pursued, and a more efficient and diversified economy," he said.

Mr Rodriguez said the government intended to press ahead with reforms in 1995, including introduction of a taxation system, further efforts to balance state finances, encourage more savings and put buying power back into the devalued Cuban peso. Both Mr Rodriguez and Mr Lage said Cuba was willing to discuss with creditors ways to resolve its hard-currency debt, which had risen to around $8.6bn from $6.2bn in 1989. But Mr Rodriguez said Cuba could not restructure its debt without fresh money.

State cash backs fight with tobacco companies

By Robert Rice, Legal Correspondent

Two hundred people who claim to be suffering from smoking-related diseases were yesterday granted limited legal aid to sue five cigarette manufacturers for damages.

This is the first time that legal aid has been granted to support a significant number of claims against the tobacco industry.

The claimants, who suffer from a variety of illnesses including lung cancer, allege that the industry failed to reduce or eliminate the harmful contents of cigarettes. If the claims against Imperial Tobacco, Gallagher, British and American Tobacco, Philip Morris and Rothmans are successful the consequences for the industry would be far-reaching.

More than 100,000 people die prematurely from smoking-related diseases in the UK each year and many more suffer from related illnesses. Rothmans said yesterday it was surprised the Legal Aid Board had granted aid "considering the difficulties faced by plaintiffs in bringing a case of this kind".

The company said it could not comment further as no lawsuits had yet been brought against any of the companies. Tobacco companies have always disputed that smoking causes disease.

Most claims against the tobacco industry so far have been brought in the US. More than 700 actions have been brought since the 1950s but none has succeeded. Last year, however, 50 US law firms grouped together to launch a class action against the industry alleging that cigarette companies have known since the 1950s that nicotine is addictive and that they failed to reduce nicotine levels.

Several states in the US have also launched actions against the tobacco companies in order to try to recoup healthcare costs associated with smoking related disease.

Leigh Day, the UK plaintiffs' lawyers, said yesterday that limited legal aid had been granted to allow the claimants to obtain experts' reports. Reports will be commissioned on such issues as the link between cancer and smoking, on nicotine and addiction and on the effects of tar and nicotine reduction.

A further application might then be made to extend aid to cover the issuing of writs against the companies. Most of the claims are expected to be against Imperial and Gallagher which have about 80 per cent of the UK cigarette market.

The lawyers stressed the claims were not for failure to warn of the dangers of smoking. "They are for failure to minimise the risks of smoking claims," they said. "We say they failed to take reasonable steps to reduce tar and nicotine levels."

Leigh Day hopes to have the reports in six months and to issue writs this year.

Court ruling may trigger payout to bank's creditors

By Jim Kelly, Accountancy Correspondent

A Luxembourg court yesterday approved a long-awaited settlement for creditors of the collapsed Bank of Credit and Commerce International that could clear the way for a first dividend payment. Touche Ross, liquidator to the bank which crashed in 1991 with debts of $10bn, welcomed the news but said no action would be taken over the settlement until the appeal period had ended in mid-April.

Judge Maryse Welter said the court believed that the agreement was in the interests of the creditors and that it was better than a previous offer which the Luxembourg appeals court had rejected in 1993.

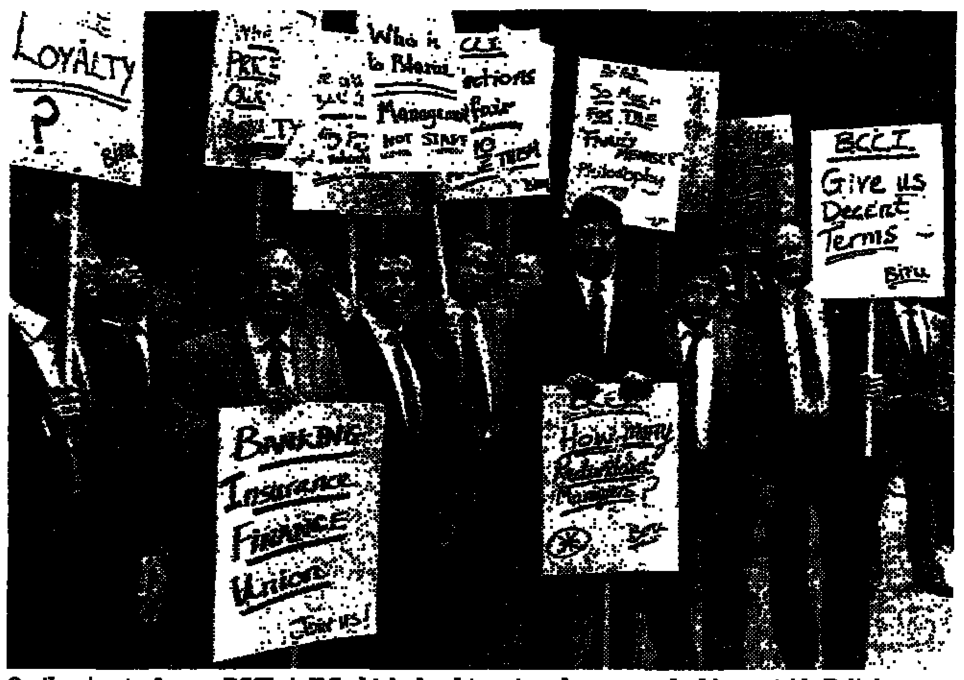
Mr Georges Baden, Luxembourg's court-appointed liquidator, said he hoped that the first payments could be made to creditors this summer. Estimates of the number of creditors worldwide range up to 150,000. Liquidators in Luxembourg pointed out that interest on the Abu Dhabi settlement "will only start from the moment we all sign the settlement, and we can only sign if there is no appeal". Failure to sign the deal will cost an estimated $300,000 a day in lost interest.

The BCCI Campaign Committee, which claims to represent up to 1,500 former employees, indicated that a decision to appeal had been taken in principle. But a final decision would await receipt of the text of the Luxembourg judgment. An appeal, if recognised by the court, could delay proceedings for up to a year.

The agreement approved yesterday is based on a payment of $1.8bn from the government of Abu Dhabi, BCCI's principal shareholder. The plan was passed by the High Court in London on December 19, and by the Cayman Islands authorities on January 13.

Under the agreement the Abu Dhabi government will pay $1.55bn after the successful completion of the court hearings, $150m 24 months later and $100m 36 months after completion. The eventual dividend to creditors is estimated to be 30-40 per cent. However, the final offer could well be outside this range because of unresolved legal actions and difficulties in assessing the total number of creditors' claims.

Estimates of an interim dividend have been put at up to 20 per cent. However, this figure depends on a separate agreement involving a $425m settlement between BCCI's liquidators and the National Commercial Bank of Saudi Arabia. If that deal were delayed the first payment could fall to 15 per cent. Judgment on this second agreement was adjourned because of objections from the US authorities over funds which they were to hand over as part of the $425m deal.



On the streets: former BCCI staff find jobs hard to get, and many are looking outside Britain

Workers head Europe's grumble league

By Robert Taylor, Employment Editor

British workers are the least satisfied with their jobs of any in western Europe, says a survey of 20,000 people in Europe and the US by ISR International Survey Research, the consulting organisation. It also says that feelings of job insecurity among workers are "increasingly becoming endemic across Europe".

British workers were found to have by far the most negative attitude of any in the survey (53 per cent). Fewer than half believed they were well managed (45 per cent), had "good" communications with their employer (37 per cent), and were satisfied with company performance and development (44 per cent) and the level of their pay (37 per cent).

The most satisfied employees were in Switzerland, where more than 70 per cent of those questioned said they believed they were efficient and well supervised, produced high-quality work, treated each other with respect and received good company benefits.

By contrast with other European workers, the Swiss said they were better organised and better managed, enjoying higher levels of employment security.

Employees who were most satisfied in their work after Switzerland were found in Denmark (66 per cent), Norway (64 per cent), the Netherlands (63 per cent), Germany (60 per cent), Sweden (56 per cent) and Finland (58 per cent). "The Protestant work ethic is alive and well in the north," said the survey.

The most dissatisfied employees – with the exception of the UK – came from Italy (55 per cent), Spain (56 per cent) and France (56 per cent).

Danish workers are the most satisfied with their wages (60 per cent) followed by the Netherlands (53 per cent), Switzerland (52 per cent) and Norway (50 per cent). The most dissatisfied workers over pay were the Swedes (32 per cent), the French (35 per cent) and the Spanish (36 per cent). Danish workers were also the most satisfied about the training and information they received from their employers.

● The level of pay settlements eased slightly at the end of last year, say the latest wage statistics from the Confederation of British Industry, the UK's largest employers' organisation.

Wage rises in manufacturing industry averaged a provisional 3.1 per cent in the three months to the end of December compared with 3.2 per cent in the three months to November.

"Pay pressures are being better contained," said Mr Robbie Gilbert, the CBI's employment affairs director. "There is no sign that pay increases are leaping ahead". But he added that employers needed to keep "a tight discipline on settlements as UK earnings growth remains higher than our overseas rivals are now achieving."

Suit by ex-employees could scupper deal

By Jim Kelly

The news that a court in Luxembourg has approved a BCCI creditors' settlement will bring some relief to thousands who lost out as a result of the world's biggest fraud. But for one group it is neither good news nor the end of the story.

An appeal could delay the settlement by a year, or theoretically derail it entirely, and the former employees of the bank are legally well placed to mount such a challenge. For them yesterday's news was greeted with bitterness. They believe the agreement is not the best that could be obtained and consider that they deserve a better redundancy settlement from the liquidators. The final decision on an appeal, which would bring about a delay which could drain the bank's assets by an estimated $300,000 a day, will be taken in London in the next few weeks.

It is here that Mohammad Qayyum taps away at an electric typewriter sending out letters on behalf of the BCCI Campaign Committee. If the group can raise the necessary funds from members an appeal is almost certain. "We are planning to appeal," said Mr Qayyum, one of the committee's co-ordinators. "We are very angry and bitter about the way in which we have been treated. We feel we have been manipulated."

At its height BCCI employed 2,500 people in the UK. The bank was reorganised in 1990 and 1,000 were made redundant while 300 moved to Abu Dhabi. When the bank collapsed, 1,200 were still on the payroll in the UK according to Mr Qayyum, and 600 are still without jobs.

"We are speaking for everyone," said Mr Qayyum. But this claim is debatable as well as highly important. The committee's ability to apply pressure behind the scenes depends on establishing its position as a sole representative. If it is the only appellant to yesterday's decision its status becomes even more important.

Whatever their status it is difficult not to recognise the plight of some of the former employees. While they do not question that the liquidators met their statutory duties they feel they should have been offered a deal significantly better than that given to those who lost their jobs in 1990. They were offered one month's salary for every year of employment up to 12 years.

Further, many employees had taken out mortgages with BCCI at favourable rates of interest. Now they are faced with losing their homes in a situation in which they find it almost impossible to get new jobs. Many of the employees are also creditors in that they held deposits at the bank.

Allegations that BCCI was "corrupt from top to bottom" have made it very hard for former staff looking for new jobs. Many, said Mr Qayyum, have sought work outside the UK.

Tory EU rebels to bury hatchet

Nine Eurosceptic MPs who have been excluded from the Conservative parliamentary party appeared to be moving towards a rapprochement with the government yesterday after appeals for unity from senior ministers and fellow right-wingers, our Political Staff writes. Eight of them issued a statement saying they were encouraged by recent comments on Europe from Mr John Major, the prime minister.

As senior rightwingers joined ministers in appealing for unity, the rebels said they had been "much encouraged by the recent statements by the prime minister and others about the European Union".

But they coupled this with a thinly veiled demand for the government to spell out what powers it believed should be returned to member states from Brussels. They said "a more specific definition" of these powers would be "particularly helpful" and would offer a real alternative to the opposition Labour party, which clearly supported more power to the European Union.

Meanwhile, amid continuing tensions between the Conservatives' pro and anti-European wings, one leading rebel MP said that an invitation to Downing Street for all nine MPs would persuade them to bury the hatchet.

In a further appeal for unity, Mr Malcolm Rifkind, defence secretary, said that "virtually everyone" in the party could back the cabinet's sceptical approach.

Mr Major said the government would have the support of "a number" of other governments in seeking to increase the powers of the European Council relative to those of the European Commission.

Management unit blamed for 'clash of cultures' includes US corporation

Privatised jail is strongly criticised

By Andrew Adonis, Public Policy Editor

The government insisted yesterday that its controversial prison privatisation policy would continue in spite of sharp criticism of one of the first private prisons by the chief inspector of prisons.

Judge Stephen Tumim said warders at Blakenhurst prison in western England, the first private establishment for sentenced prisoners, were "not fully in control" of inmates at the time of the inspection last May. Prisoners were found wandering the corridors, no policy was in place to tackle widespread bullying, a central shop had become a "muggers' paradise", and "few staff appeared to have much idea" about important control techniques.

A serious disturbance at the prison last February, which lasted for eight hours, was blamed by Judge Tumim on the lax regime and inadequate training of warders.

Although the prison service insisted yesterday that most of the criticisms had since been rectified, the report casts a shadow over the government's plan to have at least 10 privately managed prisons in operation within five years.

Judge Tumim implicitly questioned the government's decision to award prison contracts to private US operators, blaming some of Blakenhurst's problems on "a confusion of cultures between the American and traditional British styles of managing prisoners".

Blakenhurst, which opened in May 1993, is managed by UKDS, a joint venture between Corrections Corporation of America, which mainly operates prisons in the southern states of the US, John Mowlem and Sir Robert McAlpine, the UK construction companies.

UKDS is now bidding for contracts to build and manage the next two private prisons in Britain.

Mr Derek Lewis, the director-general of the prison service, insisted yesterday that Blakenhurst did not have a "cushy" regime, and that there was "nothing exceptional" in control difficulties in the first year of a new prison.

450m coins disappear from circulation

By Robert Chote, Economics Correspondent

The British people were given a fresh incentive to clean behind their sofa cushions yesterday with the discovery that about £40m ($62m) of their loose change went missing last year.

A survey commissioned by the Royal Mint estimated that about 450m coins disappeared from circulation in 1994. They may have been dropped down drains, left in other countries by returning tourists, converted into souvenirs or put into coin collections.

Not surprisingly, people tend to be more careful with coins that are relatively valuable. So while about 3.5 per cent of the 8bn penny pieces in circulation at the end of 1993 had disappeared a year later, fewer than 0.8 per cent of the 700m 50 pence pieces went missing in the same period.

The exception was the £1 coin, which people seemed to have particular difficulty in retaining. More than 2.5 per cent – around £25m – of the £1 coins in circulation at the end of 1993 had gone missing within a year.

Mr Peter Kenny, the retired government statistician who assessed the results of the survey, said he found this "puzzling". The Royal Mint said the £1 coins may have been stockpiled by duty free shops overseas which otherwise kept foreign currency only in note form.

Another possibility is that £1 coins may fall out of holes in people's pockets more easily, because they are relatively heavy yet small in diameter.

The survey at least provided reassurance that the British have not become more careless with their money. The disappearance rates have changed relatively little since a similar survey was last carried out in 1988.

UK NEWS DIGEST

Murdoch hints at end to price war for newspapers

Mr Rupert Murdoch, chairman of News International, the media group which publishes the Sun and The Times, yesterday hinted at an end to the UK's bitter newspaper price war by indicating that he may raise his titles' prices. Prices "will probably have to be corrected" in response to a rise this year of 30 per cent to 40 per cent in newsprint costs which had "changed the economics of the industry," he said. News International had not yet decided on any specific price increases, he said at the World Economic Forum in the Swiss Alpine resort of Davos.

Mr Conrad Black, chairman of the Telegraph publishing group, said at the same meeting that "the objective conditions for a de-escalation of the war now exist" at the broadsheet end of the market. Mr Black said the steep price cuts initiated 18 months ago by News International had achieved Mr Murdoch's purpose of restoring his company's competitive position. But Telegraph prices would continue to respond to Mr Murdoch's pricing policies.

The price war has cost News International about £45m ($70.2m) across all its titles, estimated Mr Tim Rothwell, BZW's media analyst in London. "The price wars were made possible by low raw materials prices, all subsidised by the newsprint manufacturers. But the paper cycle turned with a vengeance last year." The price war was launched by Mr Murdoch in July 1993, when he reduced the price of The Sun from £0.25 to £0.20. Two months later he cut the price of The Times from £0.45 to £0.30 and then to £0.20 last June. Those actions staunched circulation losses and took sales of The Times to more than 600,000 and the Sun's to more than 4m. On the London stock market yesterday, the Telegraph group rose 3p to 359p a share.

Guy de Jonquières in Davos and Martin Mulligan in London

Lex Comment, Page 20

BT chairman angers doctors

Sir Iain Vallance, the chairman of British Telecommunications angered junior doctors by saying it might be quite "relaxing" to do their job. Sir Iain, who is paid £663,000 ($1,034m) a year was justifying his salary to the House of Commons employment committee, which is investigating executive pay in the wake of a public outcry over "excessive" rises for senior executives.

Sir Iain said he worked 70 hours a week on BT business and 1½ days a month for the bank. "I would quite like a job as a junior doctor; it might be relaxing," he told the committee. Sir Iain later agreed it was a "flip" remark, adding: "I was trying to say I work very long hours, which is precisely what junior doctors do." Dr Edwin Boorman, junior doctors' representative on the British Medical Association, said juniors were supposed to work no more than 72 hours a week, but a recent survey showed more than half were working even more. The best paid junior doctor receives less than £40,000 a year. *PA News*

N Sea oil output near record

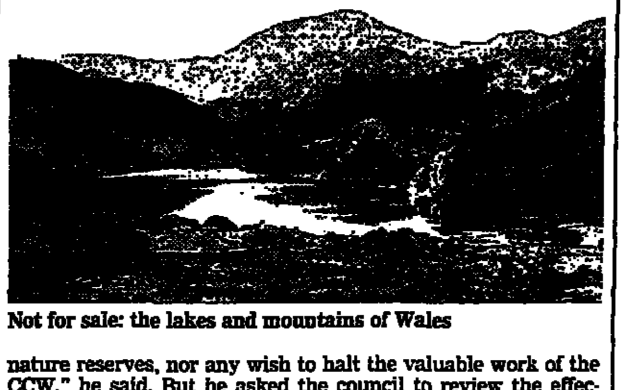
Last year's 25 per cent surge in North Sea oil production boosted total output to its highest level in eight years, says Royal Bank of Scotland. The bank's monthly report says average oil production of 2.71m barrels a day in December was the highest since March 1986, and close to the record 2.82m b/d set in January 1985.

Last year's rise was attributed to 10 fields coming onstream and increased output from older fields. North Sea oil revenues last year averaged £37m a day, 11 per cent up on 1993 and the highest level for 10 years. *Robert Corzine, Resources Staff*

Growth and 'greenery' ahead

Mr John Redwood, secretary of state for Wales, said he was determined to promote "practical greenery" such as energy efficiency and recycling, and to encourage more use of rail transport. He wanted to see development wherever possible on reclaimed land rather than greenfield sites, and to involve local authorities more in decisions which affected the local environment. "I think growth and greenery can be reconciled," he added, saying that he wanted to show companies that "good business is green business".

Mr Redwood dismissed fears about the future of the Countryside Council for Wales, which has had its budget cut by £3.3m for 1995-96 to £17.3m. "I have no plans for privatising



Not for sale: the lakes and mountains of Wales

nature reserves, nor any wish to halt the valuable work of the CCW," he said. But he asked the council to review the effectiveness of designating areas of greatest value for nature conservation and landscape. "Designation is not an end in itself," he said. "We must be satisfied that designation achieves protection."

Roland Adburgham, Wales and West Correspondent

County pleads for reprieve: A group of business leaders in north-east England has asked Mr John Gummer, environment secretary, to retain the county of Cleveland as a legal entity to assist its drive for inward investment. Teesside Development chairman Sir Ron Norman is leading the campaign for the retention of the county, but under the name Teesside rather than Cleveland. "We need to be one conurbation confidently promoting ourselves in London, Brussels and Toyko," he said.

Farmers' incomes rise: The farming industry enjoyed a 4.4 per cent rise last year in real incomes, which reached their highest level for 10 years. But the third successive annual increase in total farm income, to £4.2bn, was not shared by all sectors. Cereal farm net incomes rose by nearly 8 per cent thanks to higher EU subsidies and an increase in market prices while farms growing root crops benefited from a sharp rise in potato prices. But dairy incomes were static and cattle and sheep farmers saw their incomes drop by more than 10 per cent.

Stirring of a giant excites and worries property market

Simon London on the potential for using outside finance to redevelop buildings owned by the state

The headquarters of the Treasury in Whitehall, which may be refurbished or redeveloped with the help of private finance, is the tip of a neglected property empire owned by the government.

Civil servants occupy about 7m sq metres of office space around the UK, as well as specialist buildings such as courts and defence establishments.

While much of the office space is leased from property companies, almost half is freehold or held on very long ground leases by government departments. It is this – the equivalent of about 100 Treasury buildings – which in theory could be offered to property companies or institutional investors under the private finance initiative.

In recent years the government is estimated to have spent £100m-£150m a year on the upkeep of its office buildings. This excludes large projects, such as refurbishment of the Treasury headquarters – expected to cost between £50m and £200m – and construction of new buildings, such as the London headquarters of MI6, the secret intelligence service.

The squeeze on public spending of the past four years has led to postponement of many refurbishment projects. Properties such as the Department of Social Security's Long Benton complex in a suburb of Newcastle upon Tyne in north-east England are in desperate need of attention.

The Treasury headquarters and Long Benton are obvious candidates for the private finance initiative, because both are large enough to attract developers. Others include the Ministry of Defence headquarters in central London and the offices of the Customs and Excise Department in Southampton on the south coast of England.

Each site is likely to demand a different solution. For example, the government is unlikely to sell the freehold of the Treasury building. However, the Long Benton site could be exchanged for alternative accommodation elsewhere in Newcastle. Whatever the details of such schemes, property companies are keen to have government departments as tenants. "The government is already our largest tenant and we would be happy to extend that relationship if we can see a decent return on our investment," said Mr James Tuckey, chief executive of MEPC, the UK's second-largest property company.

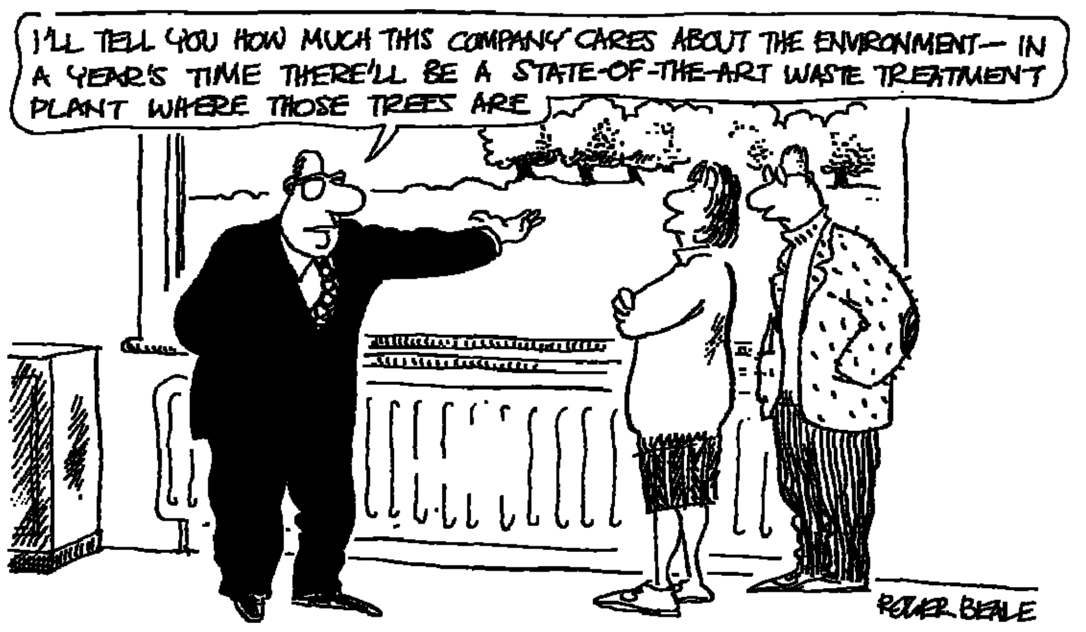
However, the supply of private sector capital available for investment in property is not large. The government will have to stagger private finance projects or risk upsetting the market's equilibrium. "Unless the private finance initiative is handled correctly, we could see crowding out in the property market for the first time," said Mr Tuckey.

Mr Nigel Middleton, a member of the executive of the Private Finance Panel, set up by the government to act as a catalyst for projects, is aware of the dangers. "It is important we take forward a few big projects and see how it works. Many government properties are small and would probably not be suitable for private-sector investment."

The wider question is whether access to private finance will spur a rationalisation of the government's office requirements, which could add to the considerable amount of empty office space on the market. For example, the government intends to consolidate all its 14,000 employees in the Newcastle area on a single site.

London could also feel the effects. Mr Tony Edwards, head of central London area at Property Holdings, which administers government buildings, said it aimed to reduce its office requirement in the capital by almost a quarter over the next five years.

BUSINESS AND THE ENVIRONMENT



More may be less

Companies claim that published green expenditure is increasingly misleading, reports **Peter Knight**

Companies are starting to baulk at demands to publish a figure for their environmental expenditure. They say the figure may be meaningless or misleading.

It is a point on which, ironically, businesses are now in agreement with environmentalists, who were largely responsible for the pressure to specify a figure in company accounts.

"Demand on companies to display expenditure on the environment is based on the false premise that large expenditures demonstrate commitment. The reality can be quite the reverse," says Alan Spall, ICI's group finance director.

He argues that the figure becomes more difficult to formulate as companies integrate environmental safeguards into every aspect of their activities.

Steve Warshal, editor of Greenpeace Business, says: "Those figures are self-serving and meaningless as an indicator. They can lump anything and everything into it."

John Elkington, director of SustainAbility, an environmental reporting consultancy, says the demand for a figure on environmental expenditure as an indicator of commitment came from the green movement in the 1980s.

"Some companies and trade associations responded with a figure. But now environmental performance has become a benchmarking issue between companies, and business realises that it no longer has any control of the indicators," he says.

The difficulty in using expenditure to compare the environmental performance of companies is partly due to the absence of universally agreed standards on what constitutes environmental spending. There are also differences in what a company chooses to reveal and what it is legally obliged to report, which change according to national accounting conventions and sensitivity of its shareholders.

Broadly, environmental expenditure falls into four areas: capital expenditure, operating costs, remediation, and research and development:

● **Capital expenditure.** This includes investment in so-called end-of-pipe treatment – new plant bolted on to the old, specifically designed to reduce or treat wastes. A proportion of the investment in new plants, to pay for cleaner technology, could be included in the overall figure for capital expenditure related to the environment. This investment has a direct effect on running costs.

● **Operating costs.** The expense of dealing with wastes or staying within the law is charged against profits. So is the depreciation of plant installed to deal with wastes. A new plant, which has clean technology built in, will have lower environmental operating costs than an old one because its design should reduce the amount of wastes and emissions. Fines for breaking environmental laws and the related clean-up costs that companies have to bear could be, but are not necessarily, treated as an operating cost.

● **Remediation.** Nearly every long-established manufacturer has a legacy of contaminated land – and often polluted underground water. Some of this has to be cleaned up immediately to comply with environmental laws. Most is being left until cost-effective clean-up technologies are found. Any acknowledged contamination creates an accounting liability, the size of which is determined by factors such as locality, legislation and whether the land needs to be sold or transferred, say in a merger or takeover.

● **Research and development.** Pressure to improve environmental performance has created opportunities for companies to research, develop and market products and processes that meet a growing demand for environmentally sound products. The cost of exploiting the opportunity could be labelled as environmental expenditure if a company wanted to enlarge its published figure. The reverse would be true if it needed to keep it small to appease shareholders.

The problem for business is two-fold: the first difficulty concerns integration of the environment into all aspects of business activity; the second is about differing accounting conventions around the world.

"The most successful chemical companies," says Spall, "will be those which, over time, reduce their spend on the environment because they are dealing with the problems of history and reducing environmental problems at source."

The size of spend, and therefore its comparability, is also relevant to the audience for which it is intended and the accounting conventions that prevail.

Spall observes: "US and UK groups tend to adopt a policy of reporting only that expenditure on the environment which is incremental and directly linked with the environment and within a framework which ensures that full provision is made for the future costs of clean up. But the reporting philosophy within many Continental companies is to identify those costs which can be even indirectly linked with the environment."

Paul Tebo, vice president of safety, health and the environment at Du Pont, the US chemicals multinational, says published figures on environmental expenditure will mean less as businesses improve environmental performance. "Those figures are only good as a measure of commitment when you talk about end-of-pipe control . . . from an accounting viewpoint it is going to be very difficult to separate out the environmental component from the total spend."

He also believes shareholders and pressure groups will see the benefit of a reduction in the amount spent on the environment. This does not mean companies will not have to show expenditure on the environment. Peter Scupholme, head of environmental policy at BP, says there will be demands for more detail of the size and significance of costs. "The pressure will be to identify these costs more clearly. There will be a demand for both the figure and an analysis of what it means for the company. The pressure will not go away."

Cashing in on the 'lucky can'

Kenneth Gooding on the success of Switzerland's innovative aluminium recycling scheme

A small boy outside a Zurich supermarket drinks the last drops of a soft drink from the can he is carrying. He walks to a brightly coloured machine standing outside the supermarket's door and pushes the can into it. This action sets drums rolling, as if money has been put into a gaming machine. The drums stop revolving. This time the boy is not lucky. But he might have won one of the prizes on offer such as a free trip in an aircraft or SFr500 (£250).

"These machines associate can recycling with pleasure," says Markus Tavernier, general manager of Igora, the co-operative organisation set up by beverage producers and the aluminium industry to encourage aluminium can recycling in Switzerland.

There are now 85 of these "lucky can" machines scattered across Switzerland and last year they collected more than 7m cans.

They are part of a scheme that has strongly boosted aluminium can recycling. Igora was set up in 1990 and, within three years, more than 80 per cent of aluminium beverage cans sold in Switzerland were collected and recycled via the scheme. That compares with a European average of about 35 per cent and about 65 per cent in the US, where recycling is mainly voluntary, but the aluminium industry has set up an infrastructure to pay "cash for cans" to collectors.

Only in those countries where the law insists that cans are recycled or there are deposit schemes does the recycling rate match that in Switzerland.

In Switzerland, customers do not pay a deposit, as they do in Iceland and Sweden. Instead, the beer and soft drinks producers and importers pay a levy of 5 centimes per can which is added to the retail sales price. At present 75 per cent of total sales are integrated into this system which generates about SFr4m a year for Igora's activities.

Arno Bertozzi, managing director of Coca-Cola Switzerland, who is credited with first proposing the levy concept, says he was not keen about a mandatory deposit system which at first seemed to be the obvious route.

"How does the deposit system solve the problem? Of course, the public take cans back to retailers. But what do the retailers do with them then? It just moves the problem down the chain. The levy allowed Igora to put in place a complete infrastructure for collecting and disposing of aluminium cans – as well as promoting the idea of recycling," says Bertozzi.

The Swiss government prompted industry to take action because the country was running out of space to bury its rubbish. In 1990 the government enacted legislation to limit the amount of packaging allowed into the waste stream. By placing a weight limit on each type of packaging material the legislation effectively required 50 per cent of used beverage cans to be recycled by 1993.

One problem with a voluntary scheme is that there are some 'free riders'

Eventually, Bertozzi and his supporters were able to convince the Swiss authorities that a voluntary levy system would work, in spite of opposition from some environmental groups which were unconvinced of the energy efficiency of recycled aluminium.

"We have proved it works and it would work outside Switzerland too," says Bertozzi. "We are also improving the image of the aluminium can."

Usage of aluminium cans is low in Switzerland, fewer than 120m units, because another law insists that 80 per cent of drinks containers sold there must be refillable. So it would have been simple just to have withdrawn this type of package. But Bertozzi insists: "Consumers should choose the packaging they want, not the government."

Aluminium's competitive position has improved because of these changes. The Swiss legislation banned PVC bottles. In addition, retailers stopped stocking steel beverage cans because the steel industry did not make recycling outlets available. As an alloy, steel is less recyclable than aluminium anyway. In addition, since aluminium is more costly, there is a greater incentive to collect and recycle it.

The used aluminium cans collected in Switzerland are sent to be returned into can sheet by VAW in Germany, Reynolds Metals in Italy or Alcan in the UK.

Igora encourages consumers to recycle aluminium cans, for example by using the "lucky can" reverse vending machines and it has also placed 4,000 can presses at strategic points. The idea is that a consumer buys a canned drink from a bar or a stall and, when it is empty the can goes into the press to be flattened to make it easier to transport.

Scrap dealers are encouraged to collect used aluminium cans in bulk because Igora pays them an extra 3 centimes per container over and above the market price of scrap aluminium.

Bertozzi points out that one problem with a voluntary scheme is that there are some "free riders". He is particularly aggrieved that Denner, a big retailing group that specialises in deep discounting and which imports beverage cans from all over Europe, is not supporting Igora because of the higher retail price. With Denner's involvement the levy would have raised an annual SFr5m.

However, this year Swiss pet food producers, who use about 140m small aluminium cans, are joining Igora and this will bring in a further SFr3m.

Founding members of Igora are: Coca-Cola, Danbeer, Feldschoesschen, Granador, Heineken, Huerlimann, Gastrodrink, Perrier, Rivella, Swiss Brewery Association, Sibra, Unifontes, Wander and Bml. Aluminium companies include: Alusuisse-Lonza, Alcan, Alcoa, Reynolds, Pechiney and VAW.

ARTS

Television/Christopher Dunkley

Spare parts and drama by numbers

Amanda Redman and Nigel le Vaillant in the latest example of formula drama, 'Dangerfield': faced with the conundrum of whether police or doctors would best maximise the ratings, the producers opted for a police surgeon

Television drama executives tend to decry the claim, frequently made in this column, that there is now far too much formula drama on the box. "What *is* formula drama" they ask in tones of pained innocence. "Is it drama that you know will appeal to the audience? Haven't people been producing that sort of thing for centuries, and isn't it better than setting out to offend the public?" In the current Radio Times Nick Elliott, who recently left LWT to join the BBC as head of drama series, is quoted as saying "I've always wondered about this so-called formula. I've never seen it written down. Yes, current successes are all ensemble shows that thrive on the camaraderie and interplay of the characters, interwoven with action and strong plots. But if that's formulaic, so was Shakespeare".

It is not a new argument. True, it is usually Dickens, not Shakespeare, who is held up as proof that popular fiction, created to a recipe, has been churned out in bite-sized chunks for generations, and that it can be good. The difference between that and today's television drama is not just that Dickens, like Shakespeare, was a genius, but that both writers were completely in command of their own material. Had their work been subjected to the kind of hierarchical and industrialised process you find in television drama, it is unlikely that it would ever have reached us in the form that Dickens and Shakespeare intended. Think what would have happened if The Globe had had a head of drama who believed, like Elliott, that "A strong leading character cannot be a loner" when Shakespeare turned up with a script marked *Hamlet*. You can imagine the conversation: "A Danish prince, eh? A depressive loner? Don't you think the audience might like it better if he was an extrovert Yorkshireman? A lawyer or a doctor perhaps? He could work in a group practice in the country with a blonde divorcee..."

If television drama executives really did not know what was meant by "formula drama" then we should be in even bigger trouble. But obviously they do. Formula drama is what you get when, instead of beginning with a *dramatist*, you begin with a particular hole in the schedules, decide how big a rating you want from that slot, and construct drama series accordingly. Of course the fact that a drama is *not* created in this way is no guarantee that it will be good. On Sunday we saw the last episode in *Tears Before Bedtime*, a peculiar story about north-west London yuppies and their nannies, consisting of four episodes, each of 55 minutes; nothing like any known formula.

With its unflattering picture of all concerned – parents, children, nannies and agency personnel – it looked at first as though it might be quite funny. But in the end the consistent unpleasantness of virtually everybody (the husbands crooked, shallow and faithless, the wives all spiteful gossips, the children knowing monsters, the nannies sly and devious, the nanny agency malevolent and manipulative) became depressing. Moreover the mixture of realism and potty fantasy did not work. Were we really supposed to believe that a 10-year-old in trilby and shades could drive his mother's car around Hampstead without anyone noticing? Not formulaic, but not particularly successful either, even if the criticism of the mistreatment of modern day servants was justified.

The first in another BBC1 series, *Heroes And Villains*, had a similar difficulty in deciding on its tone. Patrick Barlow, once half of the National Theatre Of Brent, seems unable to resist sliding into farce even when, as here, the story he has to tell is bizarre as well as true. The *Dictionary of National Biography* bears out practically every detail in his story of Lady Hester Stanhope, niece of William Pitt, who sloped off to the middle east, had an energetic first and last love affair with a man 13 years her junior, went native, became bald, walled herself up, and died completely alone. Given the current belief in television that it is best to get comedians to do everything, it was no surprise to find Jennifer Saunders in the central role and, as a comedian, she gave an impressive performance. What a pity, though, not to have used one of Britain's scores of great actresses. Another non-formula drama which was some way from being a triumph.

The most successful of the current non-formula series is probably *Signs And Wonders*, Michael Eaton's BBC2 drama about the family of an English vicar. With the daughter being snatched back from a religious cult, the father realising after his stroke that there is no god, and the son discovering the true nature of his deconstructionist guru, it makes a number of demands on the viewer. None is very onerous, but this attitude towards the audience is almost startling coming, as it does, at a time when we are seeing a reversal of the old Reithian approach. Reith's idea was to aim slightly above the heads of the expected audience, but television is now busy "dumbing down" to ensure that nobody, however thick, is left behind.

It would be wrong to imply that all formula drama is empty and uninspired. *NYPD Blue*, an American export on Channel 4, is admittedly not as good as the series which preceded it, *Hill Street Blues*, and it does suffer from the mannered camerwork which is now merely an irritation. Nevertheless its characters are not the ciphers that the formula system generally produces. Andy Sipowicz, John Kelly, and Janice Licalsi are complicated people who behave inconsistently, like real human beings. This is possible, I suspect, because creator Steve Bochco is now powerful enough to resist the imposition of a formula from above. There were signs, too, in the first of a new series of *Dr Finlay* on ITV that under its new producer, Bernard Krichefski, this is no longer going to be the predictable *Mrs Dale's Diary* stuff that it once was.

The fact remains that there is a lot of formula drama around, and the quantity is still increasing. If Elliott or anyone else wants a prime example they need look no further than BBC1's new offering, *Dangerfield*. Faced with the conundrum of whether police or doctors would best serve to maximise ratings at 9.30 on a Friday, the producers have opted for both and made their hero a police surgeon. Many of ITV's recent mid-evening drama series successes have been country-based, and so *Dangerfield* is country based. This makes a slight nonsense of the black people in the police station, but never mind, they are politically correct, which is important in formula drama. Thus Dangerfield himself is a widower, and consequently "available" in the eyes of female viewers, and yet the father of two squeaky-clean teenagers. So he has to dictate the shopping list onto his mini-corder while driving his "off road vehicle" to the body of the next murder victim. All together now, "Ahhh, what a good dad".

Dangerfield does not look or sound as though it rises unfettered from the sensibilities, passions and prejudices of its author. On the contrary, it looks and sounds like something assembled from spare parts out of a drama mail-order catalogue and that is the mark of formula drama.

Concerts

Boulez acclaimed

The London Symphony's celebrations of the 70th birthday of Pierre Boulez, conducted by himself, are now at the halfway mark. They resume in March (by which time the festivities for Sir Michael Tippett's 90th will have happened), no doubt with the Barbican Hall just as full again.

The notable thing about these packed houses has been how little they have depended on advance booking. For each concert, large numbers of people have turned up to buy seats on the day: enthusiastic word-of-mouth must have been the operative factor, not just the attractions of the programmes or the prestige of the composer-conductor and his guest soloists. That is real popular acclaim, such as no amount of intensive hype could ensure.

For two concerts last week Boulez had Jessye Norman as guest, singing Berg's Seven Early Songs and the wonderful *Altenberglieder*. Neither set quite suits that great carnivorous voice (the ideal Berg soprano is more flexible and silvery), but Miss Norman brought searching intelligence to them: as interpretation, her account of the Altenberg songs was a dramatic tour de force.

Boulez conducted his own *Livre pour cordes*, an early quartet-movement twice re-composed for full strings, with precise subtlety (the original material is embedded in dense, feathery thickets of whispers and echoes). His justly famous reading of Bartók's *The Miraculous Mandarin* completed the programme with incisive force.

On Sunday we had Michel Béroff delivering Bartók's second piano concerto rather elegantly: less charisma and exuberance than Barenboim had brought to the first concerto a week earlier, but more accuracy. Boulez sounded more engaged in Debussy's three orchestral *Nocturnes*. His unlingering tempo for "Nuages" forbade us to dream over cloudscapes; instead, the abstract shapes of the music itself stood out with lovely clarity. "Fêtes" was properly brilliant; better still the "Sirènes", with superlatively well-tuned, suave sopranos and altos from Terry Edwards' London Voices.

The revelation of that concert was, however, Boulez's own cantata *Le Visage nuptial*, on fantastic love-poems by René Char. He wrote the original version almost 50 years ago, but re-composed it in 1988-89, enriching its textures and smoothing away some awkward corners.

The result is seductive, ravishing (and often Messiaen-ic): the solo sopranos – here Françoise Pollet and Lucy Shelton – wind exquisitely through Boulez's marvellous orchestral inventions, with an expressive immediacy rarely equalled in his "mature" pieces. Formally, the teeming structure often baffles the ear; but there is blazing conviction in the feeling, even an undisguised confessional note. From Boulez, who would have expected that?

David Murray

Theatre/Malcolm Rutherford

'Dangerous Corner' and 'Suzanna Andler'

Alastair Muir

Gayle Hunnicutt and Jean Boht in 'Dangerous Corner'

If the test of a thriller is to become more interesting as the piece goes on, J.B. Priestley's *Dangerous Corner* can be counted as a success. The start is pretty dismal: harsh male laughter and loud music, all in the dark. Much of the first act is not much better: flat characters in dinner jackets stumbling by accident into the old parlour game of truth and finding that everything is not as it seemed. There may have been something closer to a murder than a suicide in the background. Melodrama is a better description than thriller.

As the background becomes the foreground in Act 2, however, the piece picks up. *Dangerous Corner* is a professional bit of work. The final scene, which is neither melodramatic nor thrilling, is a very clever theatrical coup.

Priestley was a master of touching on controversial subjects without upsetting anyone very much, which is why he went down so well on the BBC. This is Saturday Night Theatre on a good night.

The production has arrived at the Whitehall Theatre, which used to specialise in farces, from the Chichester Festival Theatre. The cast is starry: notably Gayle Hunnicutt as the none-too-happy wife of the publisher, Robert Caplan, played by Keith Baxter, though if there is a single prize it must go to Susan Penhaligon as Olwen Peel, the spinster member of the publishing firm, would-be mistress and possible murderess. She is the only character of any depth, yet quite why a woman played like this should have longings for the wooden Robert Caplan is unclear.

It was probably a mistake for Baxter both to play the lead male role and to direct himself. If he had sat in the auditorium as director a bit more during rehearsals, he might have noticed that the production is static and over stylised. There are limits to how far one wants to see people moving round a semi-circular drawing room only to take another drink, or hear the barking of the dog to herald a new arrival.

Still, Baxter's performance, like the play, develops as time goes by. When he becomes very drunk, it is just about possible to believe that he has feelings. It is possible that, as director, he may have struck the right chord. While my own reaction to many of the lines – "I'm not having any more of this!" said with great indignation – was to laugh at the melodramatic parody, it quickly became clear that this would have been the equivalent of laughing in church. Most of the rest of the audience were hooked.

One oddity: In the original version of *Dangerous Corner* the musical cigarette box which sets off the whole drama plays the Wedding March. Here it plays Beautiful Dreamer. In a production which otherwise sticks to the period – 1932 – I wonder if that is an improvement.

There are more dangerous corners in the stylish new production of *Suzanna Andler* at the Battersea Arts, though perhaps the French take them better. Marguerite Duras's play was first seen in London at the Aldwych in 1973 with Eileen Atkins in the lead role. Here Susan Hampshire takes over.

Ms Hampshire is one of the few English actresses who can wear elegant clothes elegantly, which is essential for this piece. There is another plus for the production by Lisa Forell. It has started modestly in the BAC Studio One, which seats only about 60 people. It moves to a larger BAC Studio, then perhaps elsewhere. I admire this careful preparation. The Battersea Arts Centre is now one of the best fringe theatres in London.

The trouble with the play is that it is too short. Set in St Tropez in winter, it lasts little more than an hour. The emptiness both of the place and of the society is marvellously evoked, not least the dependence on the telephone to Paris and the belief that there is more life up the road in Cannes. No-one really believes that Suzanna will commit suicide: it's just an inconsequential remark, or perhaps not. (She doesn't.)

There are some notable scenes on stage: for example, Suzanna talking on a sort of catwalk to one of her husband's mistresses (Bryony Brind). One cannot help thinking, however, that the piece would be even better on television.

Dangerous Corner: Whitehall Theatre. (071) 867 1119. Suzanna Andler: BAC (071) 223 2223.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● European Baroque Orchestra: Wieland Kuijken conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8
● Royal Concertgebouw Orchestra: with violinist Sarah Chang. Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 4, 5, 8
GALLERIES
Van Gogh Museum Tel: (020) 570 5200
● Odilon Redon: retrospective of the French artist's work with over 160 paintings, etchings and lithographs from public and private collections; to *Jan 14*

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Ballet Evening: premiere of works by Debussy, Poulenc and Stravinsky. Conducted by Sebastian *Lang-Lessing*, choreography by Nacho Duato, Glen Tetley and Harris Mandafounis at 7 pm; Jan 14 (6 pm)
● Der Rosenkavalier: by Strauss. Conductor Jiří Kout, production by Götz Friedrich at 6 pm; Jan 8
● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 10, 13 (8 pm)
Staatsoper Unter den Linden Tel: (030) 200 4762
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 4, 7

■ BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 8434
● Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11
● Belgian National Orchestra: with soprano Zsuzsa Misura and baritone Andras Molnar, and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12
● *Monnale Symphony Orchestra*: with the Monnale Choir conducted by Antonio Pappano plays Brahms at 8 pm; Jan 8

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12
● LSO New Year Viennese Concerts: London Symphony Orchestra conducted by John Georgiadis plays melodies of the Strauss family and their contemporaries at 7.30 pm; Jan 2
● Royal Philharmonic Orchestra: conducted by *Bramwell Tovey plays* Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7
Queen Elizabeth Hall Tel: (071) 928 8800
● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12
GALLERIES
Hayward Tel: (071) 261 0127
● The Romantic Spirit in Romantic Art 1790-1990: examines work of early Romantic painters. Includes section on German Expressionists; to Jan 8
Serpentine Tel: (071) 402 0343
● Rebecca Horn: major exhibition *of works by the German artist* including, 'Kiss of the Rhinoceros'; to Jan 8
Tate Tel: (071) 887 8000
● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8
OPERA/BALLET
English National Opera Tel: (071) 832 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 11, 14
Festival Hall Tel: (071) 928 8800
● The Nutcracker: by Tchaikovsky. English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30 pm; to Jan 2 (Not Sun)
Royal Opera House Tel: (071) 340 4000
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Jan 3, 14
● Othello: by Verdi. Conductor Carlo Rizzi, director Elijah *Moshinsky. In Italian with English* surtitles at 7.30 pm; Jan 13
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Jan 4 (2 pm)
THEATRE
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian *absurdist writer at 7.30 pm; Jan 7* (2.15 pm)
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 2, 9, 10 (2.15 pm), 11
Queen Elizabeth Hall Tel: (071) 928 8800
● Cinderella: by Rossini. The Music Theatre London *present this new* translation by conductor and musical arranger Tony Britten, and director Nicholas Broadhurst at 7.15 pm; to Jan 3 (Not Sun)
● Rossini's Cinderella: new translation by conductor Tony Britten and director Nicolas Broadhurst at 7.15 pm; Jan 2 (2.15 pm), 3

■ NEW YORK

GALLERIES
Brooklyn Museum Tel: (718) 638 5000
● Indian Minature Paintings: 80 jewel-like paintings from the 15th -19th century; to Jan 8 (Not Mon)
Metropolitan
● Ann Hamilton: exhibition reveals the artist's interest in the relationship between sight and touch; to Jan 3
● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)
● William de Kooning's Paintings; to Jan 8 (Not Mon)
Museum of Modern Art Tel: (212) *708 9480*
● Cy Twombly: Comprehensive retrospective of the contemporary American artist; to Jan 10
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 5, 7, 11, 14 *(1.30 pm)*
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 2, 6, 9, 14
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12
● Madama Butterfly: by Puccini at 8 pm; Jan 4, 7, 10, 13
● Peter Grimes: by Britten. English at 8 pm; Jan 3
THEATRE
Richard Rodgers Theatre Tel: (212) 307 4100
● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8

■ PARIS

GALLERIES
Grand Palais Tel: (1) 44 13 17 17
● Gustave Caillebotte: retrospective of the painter who belonged to the circle of impressionists; to Jan 9
● Poussin: 400th anniversary *retrospective; to Jan 2*
Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and *Galia, music by Paco Arrigas at 8.30* pm; to Jan 7

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Yo-Yo Ma: the cellist along with *pianist Emanuel Ax, violinist Pamela* Frank, clarinetist Paul Meyer and flutist Euginia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11
GALLERIES
National Gallery Tel: (202) 737 4215
● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 7 (7 pm), 9 (7 pm), 13
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Jan 2, 8 (2 pm)
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm)
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Misalliance: by Bernard Shaw, *directed by Kyle Donnelly; to Jan 8*

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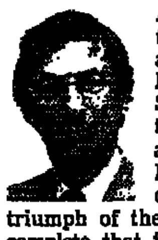
17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Ian Davidson

The space in between

The western system depends on neither free market nor state alone



After the fall of the Berlin Wall and the collapse of the Soviet Union, the US political analyst Francis Fukuyama declared that the triumph of the west was so complete that it had brought us to The End of History.

The western system, based on political democracy and economic liberalism, was not just the best, the most victorious system; it was now the only valid system. This was total victory.

Many people at the time claimed that his triumphalism was overstated. But not many predicted that so much of the euphoria would by now have disappeared. In Britain the economic recovery from recession is real; so why is the British government still so unpopular? America is enjoying rapid growth; so why are American voters so angry? Why is the public mood in the west so sunk in structural gloom?

The central problem is not, it seems to me, that the end of the cold war has failed to deliver peace. The unending war in Bosnia, the serial wars in Armenia, Georgia, Chechnya, and the genocidal conflicts in Rwanda and Cambodia are real causes for anxiety, but they are not, I suggest, the primary reason for the widespread depression.

No, the main reason is that the triumph of free markets, so far from providing a "peace dividend" for the victors in the cold war, is proving much more painful, divisive, unjust and destabilising within western societies than the economic gurus had ever led us to expect. And it is creating stresses that our western societies have not been prepared to handle, and which may be in the process of undermining our institutions and even perhaps our political systems.

After the fall of the Berlin Wall, some people thought that the international institutions would preside over a new era of peace. But the barbaric wars in Bosnia and Chechnya have proved that the forces of civilisation, whether the United Nations or the leading western powers, are powerless to suppress or mediate in the erupting conflicts.

If the west cannot stop the wars in the post-Soviet world, surely at least it could promote political and economic reform. The record so far is discouraging. Western economic experts knew exactly how the Russians should convert their economy from communism to capitalism, and told them so. But western authorities were much more reticent on how the Russians should convert their politics from totalitarianism to democracy, because that is a much more difficult subject. Unfortunately, economic reform can only be carried out by political institutions.

The latest conventional idea in the west is that Russian

The triumph of free markets is proving more painful than the gurus predicted

democracy is being threatened by the war in Chechnya. If so, it reflects the fact that the democratic element in the current Russian political system is paper-thin, without solid foundations, because Russia has no experience of democracy, and no long-standing institutions that would help to strengthen it.

From the vantage point of 50 years of peace and stability in western Europe, it is hard to understand that anyone should believe that bombing can be the best way of resolving the centuries-old problem of relations between Russia and Chechnya. It is more plausible to believe that the war in Chechnya is a symptom, not a cause, of Russia's precarious political situation.

This brings us back to Francis Fukuyama. Five years after the fall of the Berlin Wall, he is still persuaded that there is no historical alternative to market structures and the liberal democratic state. But he now believes that what really counts, in the functioning of this archetypal western model, is not mainly the performance of the individual (the market pure and simple) nor the performance of the state (democracy on a large scale), but what occupies the space between.

He calls this space "social capital", by which he means all the myriad forms of intermediate associations, which include companies and churches and sailing clubs and charities. He argues that the vitality of this intermediate layer of civil society is critical to the functioning both of the market and of the democracy. And he claims that those countries that have had the most dynamic economies are those that have had the most vigorous networks of intermediate associations: the US, Germany and Japan.

Today's problem, as he sees it, is that the associational network is beginning to disintegrate, in the US at least, under the stresses of headlong economic change. Here is what he had to say in a recent interview in New Perspectives Quarterly.

"The US faces a crisis of associational life. The art of associating is an important economic virtue, because it is an inherently flexible manner of facing challenges. People who trust each other and feel responsible to each other are good at adapting to new conditions. When all that is left of the rich texture of society is a contract between individuals, then America will be in real trouble. Undeniably, that is where we seem headed."

Modern institutions just will not work unless they are supported by pre-modern social structures like the community, religion and the family, he argues.

"We already accept to a great degree Adam Smith's view of the world. Not having enough free economic exchange is not our problem now; our problem is the unravelling moral cohesion of societies that were once bound by the habits of religion, community or family."

Liberal theorists thought these "bedrock social realities" would survive the process of economic change. But as Fukuyama concludes: "We can no longer make that assumption."

**New Perspectives Quarterly, Winter 1995, 10951 W Pico Blvd, Los Angeles, US*

Heavy paw of the watchdogs

Could the burden of regulations on UK financial services companies be reduced, asks **Alison Smith**

Mick Newmarch (right), who partly blamed the regulators for his exit, and Andrew Large of SIB

When Mr Mick Newmarch resigned as chief executive of Prudential, the UK's largest life insurer, last week, he cited the pressure of financial regulation as one cause of his departure. The relationship with the City's regulators had become "unacceptable", he said.

Mr Newmarch had gone further than most in challenging the growth in regulation in retail financial services, taking a high-profile stand against the cost and intrusion of the regulators. But his sentiments are privately echoed by growing numbers in the industry who believe that regulators are imposing ever-higher costs for little benefit to the consumer.

There are signs that the regulators are coming round to this view. Mr Andrew Large, chairman of the Securities and Investments Board, the chief City regulator, has recently aired proposals for a lighter regulatory regime at some point in the future – provided the sector could win back the trust of consumers after widespread public concern over issues such as poor advice on personal pensions.

The current system was developed after the 1986 financial services act, through a series of rules, regulations and guidance drawn up by City regulators such as the Securities and Investments Board. The system has been subject to constant change, as both regulators and the industry have learnt from experience – and has developed a heavy reliance on copious record-keeping at every stage of a sale.

Many in the industry say that current regulations impose expenses on them that do not help the investor but simply increase their costs, which are eventually passed on to the customer.

Within the past few months, for example, one large life company re-examined sales for an earlier year to make sure its records would survive any regulatory check. The exercise cost about £2m: the compensation paid to customers where the company believed bad advice had been given came to just £6,000.

Last year, Prudential told a cross-party committee of MPs that it had cost the group an extra £7m in 1993 simply to meet regulators' requirements.

Another life insurer cited the detailed rules for looking after money received from clients. "We had to change our computer systems," he said. "Yet in more than 100 years we hadn't run off with anyone's money, and our systems were perfectly adequate."

Over-regulation, according to many in the industry, may dissuade consumers from making suitable pension arrangements. "There is a danger that escalating cost stops people getting the provision they require," said Mr Lawrence Churchill, chief executive of National Westminster Life.

The financial regulators have also become concerned about the costs they are imposing on the industry. "There should be more information about cost, and people should know more about what they're getting for their money," one regulator commented recently.

When SIB announces – probably tomorrow – that its spending is set to rise from £18.76m to more than £20m in the coming year, it will also offer the most detailed explanation yet of how the money is to be used.

The same awareness of the expense imposed on the industry can be seen at the Personal Investment Authority, the watchdog set up last year to protect the private investor. It is developing ways of measuring its own performance, to convince the industry that it is cost-effective.

In a recent speech, Mr Large made it clear that the regulatory burden could be lifted only if the personal financial services sector was more open with its customers. If it was, he suggested, more of the responsibility for the decision should pass to the customer.

A start has been made, with the introduction of a new regime requiring life companies to provide more details about their products. Since January, sales agents and advisers have had to disclose their charges and commission to consumers.

This will be followed over the next year or so with the publication of information about the rate at which customers give up early policies which are supposed to be long-term investments.

Alongside the idea of a more streamlined regulation for all is the possibility that life insurers that have demonstrated a commitment to high standards in advising consumers could be rewarded by a less prescriptive regulatory regime than others. Rather than having to follow a detailed rulebook, they could be given more discretion in how they met general regulatory standards.

They might, for example, be given more freedom in designing marketing literature. Currently every piece of marketing material – such as corporate umbrellas – must be cleared with the relevant regulator.

One regulator has suggested that, where a company's commitment to investor protection had entitled it to a lighter regime, having to move back to a stricter form of regulation would be a far more effective deterrent against any fall in standards than a heavy fine.

This approach reflects the thinking among some of the industry's leaders. Mr Jim Stretton, deputy managing director of Standard Life, the UK's largest mutual life insurer, said regulation should be directed at creating a fair market in which the customers could protect themselves. This focuses on providing information to consumers rather than keeping records for regulators.

But there would be dangers in switching to a broader regulatory regime. First, a less prescriptive system would make the role of companies' compliance officers more demanding. Some might find it hard to enforce standards without a detailed rulebook.

Under the current system, the regulations detail exactly what may and may not be done, and a compliance officer can rely on the rulebook to ensure that the company's marketing material is up to standard.

If regulation simply imposes a requirement to be fair, there is more scope for subjective judgment by the compliance officer. They could come under pressure from their marketing departments to be more flexible in their approach. And there would be an element of uncertainty, since the regulators might disagree with the compliance officer's view.

Second, a lighter regime would require investors to take greater responsibility for their decisions. Even if they are given much more information, making sense of what it means can be another matter.

"Customers should have full information to make an educated choice," said Mr Neil Munro of the Consumers' Association. "But we are talking about complex products and complex situations, and I don't think consumers should be expected to understand all the details.

"People are entitled to put themselves in the hands of financial experts and be given the right policies to meet their objectives."

Both these potential dangers illustrate the wider difficulties of regulating in a sector that has yet to regain the trust of investors. There remain suspicions that moving to a less prescriptive framework would inevitably weaken investor protection once watchdogs were not specifying every move.

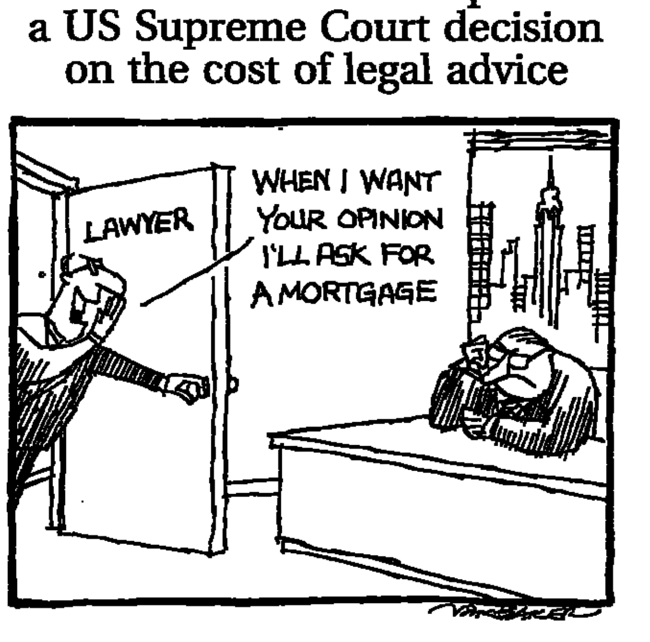
"I couldn't argue from past history that the sector would behave itself," admitted one life company chief executive ruefully.

Others say that it would be unwise to make the mistake of relaxing regulation too much. The failure to ensure high standards of advice to people moving out of occupational pension schemes into private plans is costing the sector more in lost business and remedial action than tougher regulation at the time would have done.

For the present, the financial services sector is on its best behaviour in an effort to convince Mr Large that it can be trusted by the consumer. But in the longer term, the present system may be the only way of underpinning that trust, however "unacceptable" it may be to many in the City.

High price of caution

Robert Rice on the impact of a US Supreme Court decision on the cost of legal advice



The cost of legal advice to US business looks set to rise in the wake of a US Supreme Court decision. The Court refused at the end of last year to review an appeal court decision allowing investors to sue a Chicago law firm for an allegedly misleading legal opinion.

Lawyers say the decision last May by the US Third Circuit Court of Appeals has thrown the drafting of opinions by professionals into confusion, and has unjustifiably expanded the scope of liability for securities fraud under section 10b and Rule 10b-5 of the Securities Exchange Act 1934.

The Third Circuit court ruled investors could sue Arvey, Hodes Costello & Burman, the law firm, for securities fraud for including false or misleading factual information in tax opinions prepared for its client, First Western Government Securities.

The court decided by a majority of 2-1 that a law firm commits securities fraud when it "knows or has reason to know" that facts set out in a tax opinion addressed to its client are incomplete or erroneous. This is so even where the opinion includes express disclaimers, which state that the facts were supplied by the client and the opinion should not be relied on by third parties.

Arvey Hodes had supplied opinions on three occasions in the late 1970s and early 1980s on the tax implications of First Western's forward securities contracts. The plaintiffs invested in forward contracts through First Western and, as part of the promotional material sent by First Western, received tax opinion letters drafted by Arvey Hodes.

When in 1983 the plaintiffs did not get the favourable tax consequences they expected, they sued the law firm under section 10b of the 1934 act, not for bad legal advice but because, they claimed, the tax opinions were based on facts which the firm knew, or should have known, were misleading or false.

The case was held over for nine years, while the investors disputed their tax liability through the courts, but revived after they lost in the Supreme Court in 1991. The following year, the law firm's application to have the investors' action thrown out was partly denied by a Philadelphia District Court on the basis that the firm's description of the First Western scheme in its opinion could amount to misrepresentation. The Third Circuit appeal court then confirmed the investors' right to sue for alleged securities fraud, forcing Arvey Hodes to petition the Supreme Court to quash the Third Circuit's ruling.

The basis of the firm's petition to the Supreme Court, put together by Stephen Shapiro and Philip Lacovara of Chicago's Mayer Brown & Platt, was that the Third Circuit's decision "overturns the settled understanding that express warnings and disclaimers in opinions have legal effect, and it conflicts with appellate decisions in several other circuits".

Shapiro and Lacovara argued that it was well established that, to recover under a rule 10b-5 action, a plaintiff must show, among other things: reliance on the defendant's misstatement or omission; that the defendant had made representations which were "misleading as to a material fact"; and that they were made "in connection with the purchase or sale of any security". They went on to say that appeal courts in several other circuits had held on numerous occasions that comparable warnings and disclaimers in legal opinions were sufficient to defeat a securities fraud claim in all three areas.

In 1988, for example, the Fifth Circuit ruled that third parties cannot rely on legal documents prepared for a client even when it is anticipated that the documents will be circulated to third parties.

Other courts have ruled that the reliance requirement in section 10b cannot be met when the facts set out in an opinion simply repeat information supplied by the client.

The Supreme Court itself ruled in 1991 that qualifying statements made alongside allegedly misleading representations can limit or discredit those representations to such an extent that the real risk of any deception or of anyone being misled "drops to nil".

And several circuit courts have ruled, in direct conflict with the Third Circuit's position in this case, that when professionals give opinions directed to clients rather than investors, those opinions are not issued "in connection with" the investors' purchase or sale of securities.

The case has now been referred back to the Philadelphia District Court for trial on the facts. It is expected to be heard later this year.

Irrespective of the outcome of that trial, however, lawyers say the effect of the Supreme Court's refusal to review the case means the Third Circuit decision stands until another opportunity to review the issues occurs. The consequences of the ruling are therefore causing some concern.

An amicus brief – a submission by a third party backing a litigant – was filed in support of Arvey Hodes's petition by 18 leading US law firms, including Skadden Arps Slate Meagher & Flom and Gibson Dunn & Crutcher. This pointed out that lawyers traditionally had relied on disclaimers as providing "safe harbour" against costly and vexatious litigation.

Without protection against such lawsuits, the cost of legal opinions would rise, they said. Lawyers would be forced to make their own checks on information supplied by clients, in an effort to anticipate all the information that investors might want disclosed.

It is not just lawyers that will be affected by this decision. Accountants and other financial analysts will suffer too. As Judge Greenberg noted in his dissenting judgment in the Third Circuit court: "There is no principled way to limit the majority's decision to opinions given by attorneys."

In its amicus brief, also in support of Arvey Hodes, the American Institute of Certified Public Accountants said accountants "routinely" provided written advice to clients on the basis of facts supplied by the client and subject to warnings against third party reliance.

The institute said accountants depended on disclaimers to "render necessary services efficiently to clients and to ascertain and limit the scope of their involvement and potential liability".

It warned that, by failing to give proper legal effect to restrictions on the scope of an opinion, the Third Circuit's decision invited vexatious litigation.

The decision would also force professionals to take "risk management" steps, including avoiding clients who "present the greatest likelihood of litigation"; it would push up the costs of accountants' services to offset the greater liability risks; and it would drive up the cost and restrict the availability of professional indemnity insurance.

The lawyers added that, although the decision was limited to the Third Circuit, its impact would be felt much more widely. As Judge Greenberg also noted, the decision would have far-reaching consequences throughout the US because, "in our national economy", it was easy enough for plaintiffs to bring their securities lawsuits within the jurisdiction of the Third Circuit.

"It's a bad case for lawyers – there's no doubt about that," said Mr Leo Herzel, a partner of Mayer Brown & Platt. "Lawyers are going to have to be more cautious, so costs will go up." And that is bad news for business.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Risk to UK position in Europe versus danger of despotism

From Mr Robert Walter.

Sir, Lord Howe's excellent article, "A better European policy for Britain" (January 30), exposes the conspiracy of silence many of us have been part of for too long. In a determined effort to accommodate the Eurosceptics, the loyal majority of the Conservative party has accepted the hostile rhetoric, in the knowledge that the main policy thrust of the government would keep us in the mainstream of Europe. It is now quite clear that rhetoric will not be enough to accommodate the nine rebel MPs. It is equally clear that any shift in policy that would take Britain out of the European mainstream is unacceptable to a broad cross section of the House of Commons, most of UK industry and a large proportion of the British people.

Within the Conservative party the time has come to accept that those who are fundamentally opposed to Britain's role in Europe cannot be reconciled. Any further attempts to alter the course of policy in the vain attempt to win their loyalty will place the prosperity of Britain at serious risk.

Robert Walter,
chairman, Conservative Group for Europe,
110 Grosvenor Road,
London SW1V 3LG, UK

From Mr James Pickthorn.

Sir, Lord Howe uses seductive language, such as: "The Conservative agenda on Europe is no longer determined by the needs of government, but by the search for olive branches towards those for whom constructive membership of the European Union is unacceptable." This betrays the real effect of federalism, namely a European despotism with no place for those who disagree with those who govern. Parliamentary government has allowed some of those MPs who have had the nerve to do so to defy their party leader, and vote according to their consciences. It is the same right which allowed Lord Howe the privilege to speak his mind when he defied his leader, thereby securing her removal. Long may Parliamentary government continue, for it is probably the best protection of our liberties.

Lord Howe describes what is on offer as "constructive membership". Membership implies that we can withdraw, which is not the case under the Maastricht treaty. For "constructive", please, Lord Howe, turn to the FT of January 20 ("EU banana policy 'perverse and inefficient', says World Bank"), where the World Bank is reported as estimating that the current EU banana import regime costs consumers $2.3bn. It says most of this is pocketed as monopoly profits by marketeers and middlemen in Europe, scarcely benefiting the poor producers in the Caribbean and Central America whom it is intended to help.

James Pickthorn,
24 Lime Street,
London EC3M 7HR, UK

Public perception of legal system shaped by media

From Mr Peter Goldsmith, QC.

Sir, Plainly the Law in Action survey which you reported ("Legal system held 'in low esteem'", January 27) gives cause for concern about the public perception of the workings of the legal system. Lawyers have to work to change that perception.

That public perception says more, however, about the image of the law created by media coverage than it does about its actual workings.

The most striking figure is that, of those surveyed who had actual and recent experience of the legal system as opposed to knowledge received through the media, the overwhelming majority (more than 70 per cent) said that experience was good or very good.

This is a high figure, given that many litigants in contested cases lose their cases and can expect to be disappointed.

It contrasts very strongly with other figures suggesting disapproval of the system.

Peter Goldsmith,
chairman of the Bar,
The General Council of the Bar,
3 Bedford Row,
London WC1R 4DB, UK

Not mother

From Ms Sonya Rudikoff.

Sir, Your report on the White House visit of Mrs Gingrich and her son, the speaker of the House of Representatives, "Dishing dirt on Hillary's lunch" (January 16), was amusing. But your correspondent, Jurek Martin, may have elevated the Gingrichs a bit too quickly. Surely, it is not Mrs Gingrich who is to be termed "First Mother". The late Mrs Kelly, mother of the president, was the one to deserve that title. Or, among the living, it would be Hillary Rodham Clinton's mother, Mrs Rodham. Newt Gingrich has already arrogated to himself enough executive power without being helped to more of it by a journalist.

Sonya Rudikoff,
200 Elm Road,
Princeton,
New Jersey 08540, US

EU banana support

From Lord Carter.

Sir, Your editorial "Yes, the EU's gone bananas" (January 25) lambasts the EU banana regime for being costly and inefficient.

You also swallow the assertion in the study funded (but expressly not endorsed) by the World Bank that phasing out African, Caribbean and Pacific (ACP) countries banana production and providing direct aid would be "cheaper, more efficient and kinder".

Such an argument simply fails to recognise the central importance of bananas to countries such as the Windward Islands. Not only does this crop provide 60 per cent of their export earnings, but the boats which transport bananas to Europe provide the conduit for all the Islands' other trading activities. Without this lifeline, diversification or no diversification, the island's economies would collapse.

Britain has a special responsibility towards these small Commonwealth countries. It has moral and legal obligations to support their banana industries. So do all EU member states because all signed the Lomé Convention, which now enshrines them. Such considerations outweigh theoretical economic arguments about free trade.

Carter,
House of Lords,
London SW1A 0AA, UK

Defending the value of a scientist's skills

From Mr Joseph Johnson.

Sir, I was puzzled by Dr Baruch Blumberg's Personal View ("The importance of basic research", January 23) on the lack of esteem accorded to "scientists" by the "non-scientific community".

First, in relapsing into the anachronistic discourse of C.P. Snow it presents the reader with a false dichotomy in that the arts can be scientific when empirical and the sciences artistic when intuitive. Current terminology distinguishes between "hard sciences" and "soft sciences".

Second, while a history graduate at Balliol during Dr Blumberg's mastership I saw little evidence of this alleged indifference of those studying the "soft sciences" to those engaged in the "hard sciences". Dr Blumberg has perhaps mistaken for indifference towards science itself the legitimate "arts" undergraduate's defensiveness about the fact that the skills he or she has been encouraged to develop are undervalued in a tough graduate job market. Gifted "scientists" were accorded the respect that secure job prospects merit. It was the classicist with the Ciceronian prose style or the historian with the touch of Michelet who looked as though they were about to "wither and disappear".

Joseph Johnson,
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FINANCIAL TIMES
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Wednesday February 1 1995

A sensible retreat

The delay in passing the US$40bn package of loan guarantees has prolonged Mexico's economic crisis and raised the chances of instability spreading. With luck, the new support programme unveiled yesterday by President Bill Clinton will lessen both.

By pre-empting a possible congressional defeat, Mr Clinton has shown that the US president can still act in both the US and the world economy's interests. The ominous message for the future is that Congress could not do likewise.

As far as the Mexican economy is concerned, the presence of substantial foreign support has always mattered rather more than its exact composition. The original $40bn package of loan guarantees announced on January 12 was large enough to reassure investors that the government would not renege on its foreign obligations.

It nonetheless failed to win credibility for Mexico's new economic programme for two reasons. One was that key elements of that programme were over-optimistic. A more important reason was that the package looked less and less likely to appear.

The doubts about President Ernesto Zedillo's strategy for putting the events of December behind him remain. Certainly, sticking to the new programme will be difficult. Yet, by taking Congress out of the equation, Mr Clinton has at least given Mr Zedillo a fighting chance. Above all, the Mexican government ought to be able to clear the more immediate source of investor disquiet: the roughly $16bn in foreign-owned, dollar-denominated government debt that will mature in the coming months.

By announcing a combined $47bn package of multilateral support, $20bn of which will come from the US, Mr Clinton has decided not to pin the credibility of the Mexican government to a prolonged battle in Congress. Given the urgency of the situation, this was probably a wise decision. Nevertheless, it is deeply disturbing that, nearly three weeks after the original $40bn package was announced, Congress had failed to make clear whether, or when, it would pass it.

Both the Democratic and the Republican party have always had their fair share of isolationists. In the past, US Presidents have been able – by and large – to override these factions thanks to a combination of personal political standing and the long-standing deference to the executive in foreign matters. In the wake of the November Congressional elections, Mr Clinton clearly no longer enjoys either.

This does not leave him entirely powerless, as the new Mexican package indicates. But the fact that US support of $20bn represents over half of the US Treasury's exchange rate stabilisation fund is symbolic of the limits of his power. As in domestic policy, the leaders of the 104th Congress have promised to down-size the US government's international role while ensuring that US interests are served. It has yet to show that it is up to the challenge.

A fragile peace

The mood in Israel over the peace process with Mr Yassir Arafat's Palestinians is grim. To the outside world, the prospect of peace between the warring factions may still seem an achievement for which almost any sacrifice is worthwhile. For the ordinary Israeli in the street, who has seen 116 people die in four terrible suicide bombings since the agreement was signed in Washington 16 months ago, it seems to have made matters worse, not better. Personal security is paramount, and the death toll has risen, not declined. Opinion polls now suggest that a majority of Israelis would prefer to abandon the peace process rather than suffer the insecurity.

Implementation was always going to be the most difficult part of the process. The peace deal was possible because it did not require either side to make excessive sacrifices, but left the most difficult questions – how to define borders and deal with the spread of Israeli settlements within the occupied territories – till later. To make the peace process work required the maintenance of momentum towards a final settlement, creating popular belief on both sides that such a settlement could work. Only with a change in the psychological climate, the negotiators believed, would it be possible to deal with the intractable issues of land and sovereignty.

Now each side accuses the other of failing at the first fence: the Palestinians say that Israel has failed to maintain the momentum essential for Mr Arafat to sell the deal to his own people. There has been no release of some 6,000 Palestinian prisoners. There has been no guarantee of safe passage for ordinary Palestinians between the Gaza Strip and the West Bank. And settlement by Israelis on the West Bank has continued, even accelerated.

For their part, Israelis accuse Mr Arafat's PLO of failing to create the psychological belief in the peace process essential for its success. Rhetoric from some Palestinian leaders continues to glorify the armed struggle against Israel; acts of violence are not universally condemned; and the talk remains of blood being spilt until the flag of Palestine is raised over Jerusalem. Israeli television viewers can see little change.

Both Mr Arafat and Mr Yitzhak Rabin have invested far too much in the peace process to let it collapse now. Yet it is in dire danger of atrophy. Mr Rabin's answer has been to raise the prospect of "separation" between Israelis and Palestinians, as an answer to the security threat.

The Palestinians, too, have long called for political separation from Israel. But it would require the creation of a viable Palestinian state, not some glorified bantustan divided up by Israeli settlements. And such an entity would have to remain economically integrated with the Jewish state, not completely separate as Mr Rabin appears to suggest. A starving Palestinian homeland would offer Israel no long-term security.

Nuclear numbers

The UK nuclear industry sees Sizewell B, the £2bn nuclear power station on England's east coast which began operation yesterday, as one of the best arguments for the construction of more plants. Opponents of nuclear power believe that Sizewell B should be – and will be – the UK's last. The government's nuclear review, which is expected to be published next month, must decide which is right, and whether nuclear power's share of electricity generation will shrink steadily as ageing Magnox reactors close.

The debate is highly emotive. But ministers should base their judgment entirely on the ability of nuclear power to supply electricity at a competitive price. So far, the industry has been supported by state subsidy. Its claim that it can produce cheaper electricity in the future is not so preposterous that it should be dismissed out of hand, as some environmental groups and MPs have been prone to do. But despite the industry's radical culture change, it has not yet convincingly demonstrated its competitiveness to its supporters, let alone its critics.

Since the industry was put on a commercial footing at the end of the 1980s, it has cut costs sharply. Nuclear Electric, the owner of Sizewell B, says that the construction of the 1,200MW pressurised-water reactor, more or less on schedule and in line with budgets, shows that the industry's record of huge cost overruns is past.

NE says that Sizewell B will generate electricity at 2.2 pence per kilowatt-hour, although it is higher if the full financing costs are included. That is cheaper than earlier stations, but more expensive than the 2.6 pence charged in the electricity market for power generated from conventional stations. Moreover, NE estimates that the cost of electricity from the Sizewell C it would like to build would be 2.9p per unit on an 8 per cent return, or higher if private finance were employed.

Those numbers are challenged by the industry's critics. But there is some justice in the industry's argument that, if it built many stations of the same type, construction costs – one of the greatest determinants of the generating cost – would fall further. However, to give that case weight, it needs to publish more detailed projections than it has yet done.

Unfortunately for the industry, its argument that its low atmospheric pollution, compared to coal-fired power stations, should be taken into account has lost some political force. There is little sign now that countries are making serious efforts to include different environmental costs in the prices of rival types of fuel, following the collapse of European plans to tax energy and its carbon content.

The industry must expect, therefore, that its future will be judged on the present figures for generation. An attempt to privatise the nuclear generators, or to raise private finance for a new station, is the best test of whether those numbers are attractive.

Public hostility to UK rail privatisation could make it an electoral liability for the Tory government, says **Charles Batchelor**

Destination unknown

Although the UK under four successive Conservative governments has been a pioneer in privatising state-owned companies, the planned privatisation of British Rail is proving exceptionally difficult.

So controversial are the plans to sell the country's rail network that one critic warned it could be "a poll tax on wheels" – a reference to the hated and now abandoned system of local taxation that helped to topple Mrs Margaret Thatcher, the former prime minister and Conservative party leader.

As details emerge of the proposed shape of the railways after they have been sold or franchised to the private sector, concern is growing that services will be reduced. Opposition to the privatisation has increased.

In vain, UK ministers have repeated their commitment to maintaining and improving the railway network. The public appears to remain convinced that rail privatisation will make things worse – despite the improvements in service that have followed earlier privatisations, such as British Airways and British Telecommunications.

British Rail differs from other privatisations because large parts of the network are loss-making and will require continued subsidy. The government has also chosen a particularly complex way of breaking up the railway.

Ownership and management of the track, signalling and stations has been transferred to Railtrack, a newly created company which will lease lines to operating companies. Passenger train services will be provided by 25 companies operating under franchises expected to run for seven to 10 years, which will make it difficult to retain the advantages of an integrated network.

Rolling stock has been handed to three leasing companies which will lease the equipment to the train operators. Freight and parcels operations, meanwhile, and track and rolling stock maintenance companies are being sold outright to the private sector.

Many British Rail managers resent the break-up of an organisation which has already undergone considerable change to improve its management methods, while the British public are attached to their railways – despite the fact that relatively few people use them – and are suspicious of radical change. British Rail has long been the butt of jokes about curled-up sandwiches and trains delayed by "leaves on the line", but Britons associate their trains with the days of steam and the heyday of Victorian industrial success.

Fears for the future of the railway network have been stirred by several recent developments:

● The announcement of minimum guaranteed standards for train frequencies, ticket prices and levels of overcrowding has raised concerns that train operators will offer no more than this minimum.

● The disclosure that through-tickets may be sold by fewer than 300 of the network's 2,500 stations.

● The publication of a report by two advisers to a parliamentary committee suggesting that a shortfall in income of £400m ($636m) could lead to the closure of 4,000 miles of branch lines or cuts of 25 per cent in peak services.

The debate is likely to intensify ahead of a general election that must take place by May 1997. The opposition Labour party has stopped short of promising full-scale renationalisation, to avoid the charge that taxes would have to rise to pay for it. However, Mr John Prescott, Labour's deputy leader, has promised a campaign to stop privatisation and a search for policies to ensure a "publicly owned" railway.

Understandably, it is the passenger services that have attracted public attention. But BR's extensive programme of selling off freight activities and support operations such as maintenance has also run into difficulties, as the scale of losses incurred by some has become apparent.

Early last month, BR's vendor unit withdrew Freightliner, which moves containers from seaports to inland terminals, from sale while it restructures to trim losses of £38m on turnover of £78m. Similar difficulties have delayed the sale of BR's Red Star parcels service.

Another problem in selling BR is the number of people now involved in shaping the new railway system. Mr Roger Salmon, the rail franchise director, is looking for bidders to run the passenger services. Mr John Swift, the rail regulator, is there to ensure that the customer gets a fair deal and that the new companies involved in running the railway are treated equally. Responsibility for running the track and larger stations has passed to Mr Bob Horton, chairman of Railtrack. British Rail, chaired until March this year by Sir Bob Reid, is in charge of those parts of the railway not yet privatised.

Meanwhile, Mr Brian Mawhinney, transport secretary since July last year, must defend the process to a sceptical public. Even he has found it hard at times to grasp the new arrangements: when Mr Swift announced that he was considering restricting the number of stations selling the full range of rail tickets, Mr Mawhinney said he would not allow it. However, he has no powers to intervene: under the rail privatisation legislation, he can only provide guidance to the regulator.

Finally, it has proved hard to convince people that the private sector can bring anything positive to the railway or will find commercial reasons to improve the service.

The privatisation case is not helped by cuts in the subsidy paid to British Rail: this has been reduced during the past two years and is supposed to fall further over the next three. The cuts fuel fears that the government is not committed to public transport and sees privatisation merely as a way of reducing state spending on the railways.

The only "good news" in recent weeks was the decision of the rail regulator to reject the UK Treasury's approach to valuing Railtrack. The Treasury had valued BR's fixed assets at £6.5bn, an unrealistically high figure in Mr Swift's view, and was demanding that Railtrack earn an annual *return of 5.1 per cent, rising to 8 per* cent after four years. The level of track access charges to meet these targets meant that almost all the passenger services would be loss-making, and reliant on subsidy.

Instead, Mr Swift changed Railtrack's performance standards so that track charges will be reduced. While the decision will lower the value of Railtrack on flotation, it will also reduce the amount of subsidy train operators will need. This should help attract bids to run passenger services from potential operators, by reducing reliance on Treasury subsidies to make a profit.

Other parts of the railway are likely to find it easier to attract private investors. The three new companies set up to own and lease BR's rolling stock to the train operators should prove attractive to overseas or UK financial groups. And the track renewal and maintenance companies, with an annual turnover of £1bn, would represent tempting chunks of business for companies in Europe's engineering and construction sectors. Hardly any of these railway businesses have yet been sold, but the process is so far advanced that it would be hard to stop.

Even before privatisation, the BR board was thinking of leasing rolling stock and selling off some of its non-core businesses, according to one former manager.

And Labour, for all its opposition to wholesale privatisation, has already pledged to use private capital to renew public services such as the railways. The new structure of BR, with a separate company for the track and signalling, would make it easier to raise private finance to fund improvements.

A change of government might halt the privatisation process, and even result in efforts to reverse some aspects of it. But it is improbable that all of the privatised businesses would return to public ownership, and any reversal is unlikely to be as radical as the government's climbdown over the poll tax.

In line with a global trend

Governments around the world are privatising their railways in an attempt to reduce losses and create more efficient passenger and freight networks. None has plans as far-reaching as those of Britain – which intends to break up its railway into more than 80 separate companies – but many are determined to split up large public sector monopolies.

Countries as diverse as New Zealand, Argentina, Sweden and the Czech Republic have privatised or are thinking of privatising their railways. Others are splitting railway companies into smaller units with the aim of introducing greater competition.

The division of train operations from ownership of the track – one of the most heartily criticised aspects of BR privatisation – is not unique in Europe. But most have opted for a "vertically integrated" railway, with train and track ownership in the same hands.

● When New Zealand sold off its railway 15 months ago it kept the network together. Tranz Rail, the private consortium which bought the railway, acquired 4,000km of track, plus locomotives, freight and passenger wagons and three roll-on roll-off ferries plying between the North and South Islands.

In the 12 years since New Zealand Rail first made the switch *from government department to* company status it has boosted freight productivity three-fold, cut staff numbers from 22,000 to 4,500 and moved from loss to healthy profit.

● Argentina began the move to privatisation in 1990, passing legislation to break up and inject private competition into its chronically inefficient rail network. The government has awarded 30-year concessions to private freight operators; privatised suburban services and the underground system in Buenos Aires; and transferred ownership of long-distance passenger routes to the provincial authorities.

The first of the Argentine freight franchises to be sold shed four-fifths of its workforce and introduced new flexible working practices designed to improve productivity.

The freight routes were acquired by groups of local companies, but *US and Canadian railroad companies* have been employed as operators in many instances.

● In Europe, Sweden has led the way in introducing competition into its railway, although the results so far have been mixed. Five years ago the railway was split into two separate organisations, both still state-owned, one running trains, the other owning the track.

The train operating company, Statens Järnvägar, still runs 99 per cent of train services but provincial governments can employ private contractors to operate local services. A bus company, BK-Tag, initially won two contracts but lost one of them to SJ in a second tender round, prompting claims that SJ could afford to bid low because of the profits it makes on other routes. Two companies have also begun running limited freight operations in southern Sweden.

● *Germany has been merging the* railways of east and west since reunification, and it has drawn up plans to privatise much of the network over the next 10 years. It has split rail operations into three: passenger traffic, freight and infrastructure, and has also written off the DM70bn of accumulated debt.

Germany's railway authorities are attempting to encourage competition on the existing railway network and up to 80 private freight companies have said they are interested in running services.

● Eastern Europe is also feeling the lure of private sector finance and expertise for their railways. State-owned railways are starting to feel tough commercial competition after more than 40 years of protection. The Czech Republic has announced that it intends to liberalise its railways. It has set up a separate organisation to manage its tracks and is investigating the possibility of privatising operations.

● In the US, the privately-owned railroads long ago lost the battle with airlines and the interstate freeway network as a popular means of passenger travel; the long distances between cities gave air travel an overwhelming advantage.

The large railroad companies are freight operations, although Amtrak, with the help of federal and state subsidies, runs passenger services. Amtrak recently announced a programme of cutbacks because it anticipated a reduction in federal funding following the advent of Republican control of Congress. The freight companies which own the tracks have shown little interest in introducing the new technology needed to run high-speed trains.

OBSERVER

Floodgate policy

■ The unprecedented flooding in the Netherlands, which has forced the evacuation of more than 100,000 people, has halted in its tracks a brave attempt by a Dutch insurance broker to come up with the country's first insurance policy against natural disasters.

The Amsterdam firm of Lugt Sobbe & Co launched its Catastrophic Risk Policy on January 16, but has now pulled it from the market.

With two-thirds of the country below sea level, Dutch insurers have long been wary of offering policies against flooding. Lugt Sobbe's policy – the only one of its kind in the Netherlands – naturally started to attract the interest of thousands of people nervously watching the rising waters.

But fewer than 10 people managed to take out the new insurance before it was temporarily suspended. "We will continue with the policy when it is responsible to do so," says Hans van Ommen, the firm's managing director.

When everything's dried out?

Chop suey

■ Observer's January prize for fence-sitting goes to joint winners – the US defence department and the university of Maryland.

The bomb-boys commissioned *from the egg-heads an analysis of* the prospects for China, after its current leader, Deng Xiaoping, leaves this world. Deng, 90, this week failed to make his annual Lunar New Year TV appearance for the first time since 1988.

The academics say that post-Deng, China has a 50-50 chance of crumbling apart in similar fashion to the Soviet Union in 1991: "China is up for grabs once Deng *passes away . . . whatever scenario* dominates in the future, all Chinas would be different from the present," concludes the study. And they *paid* for that?

Lunar see

■ For the Arab world surrounding Israel today marks the start of the fast of Ramadan. Except, that is, for those *Moslems* living under the sway of PLO chairman Yasser Arafat. Their dawn-to-dusk fasting started a day early in line with the Arabian peninsula countries of Saudi Arabia, the United Arab Emirates, Kuwait, etc.

The ostensible reason for the early start was that the new moon has been observed from Jerusalem's Al-Aqsa mosque, now administered by Arafat's Palestinian Authority. *However, lunar* positions have little to do with this; it seems more a calculated snub by Arafat to Jordan's King Hussein.

The Palestinians object to a clause in the Jordanian-Israeli peace treaty which recognises a *special Jordanian role in* administering the shrines. Sheikh Akram Sabri, the mufti of Jerusalem appointed by Arafat, backed Arafat: "I am the mufti appointed by the Palestinian Authority for all the Palestinians . . . Nobody challenges my authority." Nor his eyesight.

Lucky escape

■ Marcelo Tanaka may be confused as to whether he is extremely unlucky or blessed with extraordinary good fortune. Tanaka, 23, last week arrived back in Brazil from Kobe, where he survived the Japanese earthquake.

At the weekend, the housing block where he lives in the southern Brazilian city of Guaratuba collapsed, killing at least 27 people. Tanaka was one of the first to be pulled out.

Mario Inc

■ Mario D'Urso lands on his feet again. The smooth former Lehman banker and unsuccessful former parliamentary candidate has popped up in Lamberto Dini's Italian government as undersecretary *for foreign trade.*

A man who elevated relationship banking to an art form, D'Urso was pretty astute at Lehman internal politics too.

Starting life as a Kuhn Loeb partner, he was right in there with *Pete Peterson, chairman of Lehman* Brothers Kuhn Loeb, after the 1977 merger. Peterson quit after the power struggle which led to acquisition by American Express in 1984.

But, before you could say Mario, there was the Italian again, as right hand man to Peter Cohen, boss of Shearson/American Express. When Cohen was booted out in 1990 D'Urso ensured he remained *friendly with Jim Robinson, then* boss of American Express. He apparently remains an adviser to Lehman to this day.

How does he do it? "For a period of 20 years no one ever really knew whether he was or wasn't working for Lehman," observes one former senior Lehmanite. Which is no doubt handy when the knives are out. Just as he could spot future Lehman bosses, D'Urso became *good friends with Donatella Dini* – Lamberto's wife – long before the premiership was a gleam in her husband's eye.

Will he do a good job? With the lira in its current parlous state, Italian exports presumably more or less sell themselves anyway.

Headless chicken

■ *US company Tyson Foods* – which customises chickens for human consumption – says it's a "centre-of-the-plate protein provider". It also spoon-feeds PR pap.

The Financial Times

100 years ago

Insurrection in Colombia
New York: A telegram received here from Colon states that an engagement has been fought between the Colombian Government troops and the rebels at Bagota [Bogotá], the capital. The fighting was of a severe character and the killed numbered altogether two hundred. The Government forces, under personal command of the President, were victorious. Troops have also been sent to Machina to engage the insurgents in that vicinity. Sixty Liberals have been arrested at Cartagena. *Reuter*

50 years ago

Income from overseas
Sir Stafford Cripps, Minister of Aircraft Production [in Britain's National Government and later Labour chancellor of the exchequer] forecast that income from overseas investment might be as low as £100,000,000 after the war compared with £200,000,000 before the war.

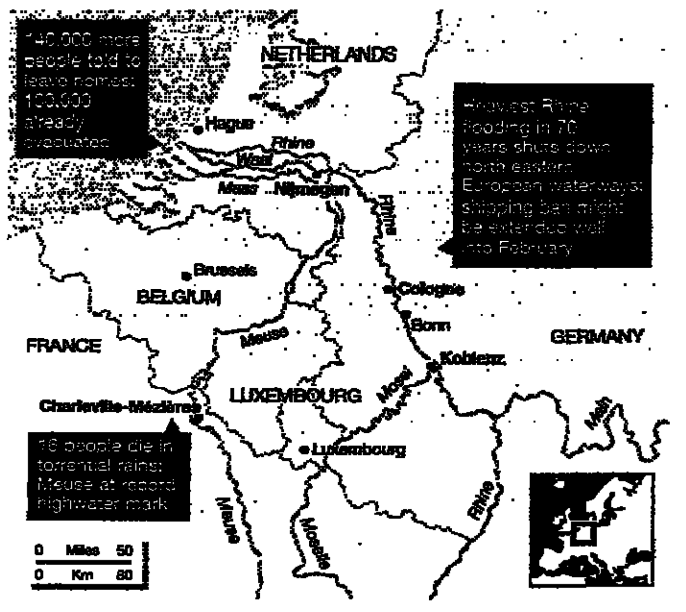
To get back to the position of 1938, exports would have to be expanded three times. Sooner or later production in Britain would have to contribute to the liquidation of £3,000m of an increase in indebtedness.

FINANCIAL TIMES
Wednesday February 1 1995

Dutch urged to flee floods

Water levels in low-lying areas expected to peak tomorrow

By Ronald van de Krol in Amsterdam and Haig Simonian in Bonn



Dutch authorities have urged 140,000 more people to follow the 100,000 who have evacuated their homes in the east of the country, as rivers continue to swell with water rushing for the sea from flood-stricken areas of north-western Europe.

With the peak of the flood waters not expected until tomorrow in some areas, residents of low-lying areas close to the city of Nijmegen were ordered to leave because of concern about the resilience of the region's dykes.

Flooding was blamed for the deaths of 28 people in affected countries, but water levels appeared to have peaked in Belgium, France and Germany. The greatest concern last night was in the Netherlands, where the public works ministry warned that dykes could collapse over the next two days.

Upstream, the River Rhine reached a depth of 10.69m at Cologne, only a centimetre less than the record of New Year's Day 1926. Meanwhile, 300 people were evacuated from the German town of Kleve, near the border with the Netherlands.

In France, insurance companies face a pay-out of between FFr2bn and FFr3bn ($370m-$560m) for damage in the north, industry specialists calculated yesterday. They said the floods, which have hit 43 of France's 95 municipal regions, are the costliest for a century.

European insurance companies believe it is too early to assess the total cost of the floods, but most expect their financial burden to be limited. Early indications suggest the devastation is similar to that caused by the floods which hit many European countries in December 1993.

Munich Re, the world's largest reinsurance company, estimates flooding then caused about $2bn of damage, of which insured losses accounted for about $500m.

The port of Rotterdam, which lies on the mouth of the Rhine, has not been affected by floodwaters further upstream because sea locks are sluicing the water into the North Sea. But the surging water has laid up thousands of river barges which take goods and raw materials from Rotterdam to the industrial heartland of north-western Germany and Switzerland.

Many residents in the flood-stricken Rhine towns blame modification of river banks and attempted flood prevention beyond Karlsruhe in southern Germany and Switzerland for their plight. This has left little room for controlled flooding to reduce water levels as the river heads north towards the sea.

Environmental concern for the German Rhine valley, one of Europe's most beautiful landscapes, has forestalled flood prevention measures along the length of the river.

But Mr Dieter Prellberg, an expert at the Rhine flood control centre at Mainz, dismissed claims that flood control measures further south had contributed to the damage in the north. He argued that computer simulations showed the volume of water was too great to be effectively restricted by upstream controlled flooding.

Separate floods around the Meuse river in the Ardennes region of north-eastern France have led to the evacuation of up to 9,000 people near the town of Charleville-Mézières. Further north, villages in Belgium also suffered as the Meuse reached record flood heights.

The floods have highlighted the need for better co-ordination to tackle a problem which does not respect political frontiers. In federal Germany, this has led to calls to transfer responsibility for flood prevention from the individual states, or Länder, to the environment ministry.

However, the Laënder guard their powers jealously and are unlikely to yield it, claiming under the EU principle of subsidiarity that flooding is a regional issue. The German cabinet will today discuss the issue of compensation, and is expected to announce a preliminary Dm30m in soft loans to help businesses in the worst-hit areas recover.

Observer, Page 11

THE LEX COLUMN

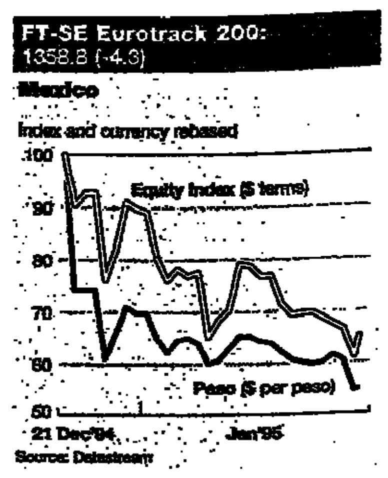
Mexican medicine

President Clinton's decision to bypass a recalcitrant Congress brought immediate and justifiable relief to the Mexican peso and stock market. The international rescue package he revealed is bigger than the mangled original and will be available far more quickly. Speed is important. Congress' procrastination was becoming highly damaging.

As long as inflation can be controlled, this should be the beginning of the end to the peso crisis. But the Mexican stock market remains vulnerable. Since the crisis started in December, the market has fallen less than might have been expected given the peso's 45 per cent depreciation against the US dollar. Earnings will be horribly hit this year by an economic slowdown caused by high interest rates and the impact of more expensive dollar denominated debt. In local currency terms, the stock market is overvalued. Adventurous investors anticipating a peso recovery should look instead at fixed interest instruments such as the short-term cetes.

The rescue package is not simply good for Mexico. Other Latin American markets, which have been dragged down since December, should benefit. Doubts over whether the US Federal Reserve will have the stomach today to increase interest rates have been all but dispelled. That prospect yesterday buoyed US bond markets and a previously sagging dollar. Confirmation of the move today should have further beneficial effects for US markets. That should provide support for European markets too.

FT-SE Eurotrack 200: 1358.8 (-4.3)



Source: Datastream

Axa/National Mutual

The justification for Axa's acquisition of a majority stake in National Mutual of Australia is framed in terms of strategy. Axa has recognised that underdeveloped Asian markets of Asia offer greater long-term potential than the competitive and mature markets of Europe. National Mutual, Australia's second largest life assurer, provides a bridgehead into this territory.

But the rationale behind this complicated transaction goes beyond strategy. There is also a streak of opportunism. The A$1.1bn investment to obtain 51 per cent of National Mutual will enable Axa to gain control of National Mutual Asia, Hong Kong's second largest life assurer, without paying a premium. The Hong Kong company, 69 per cent owned by its Australian parent, is separately quoted on the Hong Kong Stock Exchange. It is a highly profitable operation which enjoyed a 25 per cent return on equity last year and which has grown premium income at an annual rate of 45 per cent over the past eight years. The value of that holding at the market price is A$1.05bn.

Assuming Axa is paying no more than appraisal value for the rest of National Mutual's businesses in life assurance and fund management, Axa appears to be getting the Hong Kong operation on the cheap. It also stands to benefit from future rationalisation of the Australian group's operations. Axa's shareholders should be pleased with the proposed transaction's ingenuity, but policyholders in National Mutual – who have to approve the deal – may not be so easily convinced.

UK securities

The latest edition of BZW's gilt/equity study rams home yet again just how poor an investment gilts have been since the first world war. Capital values have consistently been eroded by high inflation. An investment in shares, with gross income reinvested, would have produced a capital sum today 72 times as big as an identical investment in gilts. But what are the relative prospects if the UK has moved to a low-inflation world?

Clearly, gilts would perform well if investors believed inflation was permanently stuck within the government's 1-4 per cent target range. With the market discounting long-run inflation at 4.8 per cent, 10-year gilt yields of 8.6 per cent would fall. Still, it would take an incurable optimist to bet on yields falling to the 5.4 per cent average seen during the 23 years since 1918 when inflation has been in the 1-4 per cent range.

But what about equities? BZW points out that in previous low-inflation periods dividend yields have on average been only a whisker lower than in periods when inflation has been in the 4-10 per cent range. If the same were to apply in future, the gilt/equity yield ratio would narrow. That does not necessarily mean shares would be a poor investment. In a low-inflation environment, BZW believes capital gains from equities would be modest but investors would be compensated by dividends which, in real terms, would be higher than the historical average. The only problem would be if, in order to pay out high real dividends, companies skimped on investment.

Trafalgar House

The UK electricity regulator's proposal that Trafalgar House should only be able to acquire Northern Electric if it refloats 25 per cent looks a classic case of using a sledgehammer to crack a nut. Mr Stephen Littlechild, the regulator, may be worried that Trafalgar could hide Northern's true profitability by subsuming it within a bigger group. A separate Stock Exchange listing would provide some comfort, since minority shareholders would have an interest in ensuring that profits were not under-reported.

Still, less drastic options should be possible. If Mr Littlechild feels he needs the information provided to the Stock Exchange, he could insist on its continued publication. If he is worried about profits shifting from Northern's regulated operations to Trafalgar's unregulated business, the utility should be more stringently ring-fenced. It is not as though regional electricity companies are pure utilities anyway. It would be absurd to carry Mr Littlechild's proposal to the logical conclusion of requiring all regional electricity companies to float minority stakes in their regulated business.

If the proposal is adopted, the bid could be in trouble. Trafalgar would hardly want to pay a big premium to buy shares which it then had to sell to investors at a discount. Of course, Trafalgar could tender for only 75 per cent. But few investors would want to be stuck as minority shareholders. So Trafalgar would have to pay a bigger premium for the shares it did buy.

Additional Lex comment, Page 20

Sharp rise in investment

Continued from Page 1

of the world."

New investment by overseas companies into Britain, by contrast, grew by only 5 per cent between 1992 and 1993, to reach £9.2bn – at about half the 1989 new investment level of £17.4bn.

Although investment by US companies grew slightly, investment from EU countries fell 50 per cent in 1993, reflecting their recession. Investment by Japanese companies grew by £388m – more than in 1992, but only a fifth of the 1990 level.

The Department of Trade and Industry yesterday said the UK was still attracting 35 per cent of EU inward investment.

Meanwhile, Ms Alison Wright, director-general of the trade group British Invisibles, said the trends should bode well for Britain's current account balance.

This swung into surplus for the first time for 7½ years in the third quarter of 1994 partly due to an improvement in UK investment income.

"These very strong levels of outward direct investment should continue to have a very healthy impact on investment income," she said.

France fails to meet target for reducing unemployment

By John Ridding in Paris

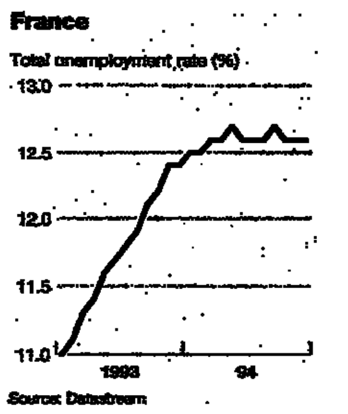
The increase in French unemployment slowed sharply last year but not enough for the government to meet its target of stabilising the number of people out of work.

Statistics released yesterday by the labour ministry showed that the number of unemployed last month fell by 8,200 to 3.329m. The decline limited the annual rise in unemployment to 26,700 compared with an increase of 312,500 in 1993.

However, unemployment remains France's most acute economic and social problem, with 12.6 per cent of the labour force out of work compared with 10.7 per cent for the EU as a whole.

The issue is particularly sensitive ahead of the spring presidential elections. Mr Edouard Balladur, the prime minister and the favourite in the polls to succeed President François Mitterrand, has made reducing unemployment a priority of his administration.

Mr Michel Giraud, labour minister, said the fall in December continued an improving trend which should enable the government to achieve its target of cutting unemployment by 200,000 this year. He urged trade unions and employers to open talks on reducing working hours as a possible means of expanding employment.



Source: Datastream

But the persistence of high unemployment, despite economic recovery, drew attacks from some unionists.

Mr Marc Blondel, general secretary of Force Ouvrière, said that young people in particular could not be satisfied with a promise of a reduction of 200,000 in unemployment.

"One of these days the situation will blow up," he said.

Economists described the figures as encouraging, but said they provided political ammunition for both sides.

"The unions and political opponents will point to the failure to cut unemployment," said an economist at one French bank. "Mr Balladur can point to areas of progress."

These include job creation. According to Mr Giraud, the government should exceed its target of creating more than 200,000 non-farm jobs this year.

In other areas, however, the problems mounted. In particular, the number of long-term unemployed continued to rise, reaching 1.24m at the end of December, a rise of 13.8 per cent on the year.

Mr Nicolas Sarkozy, the budget minister and Mr Balladur's campaign manager, defended the government's record saying: "We have pretty well stabilised unemployment."

A spokesman for Mr Jacques Chirac, Mr Balladur's Gaullist rival, gave a guarded response.

"The fall [in December] is a good thing," he said. "But we must get to the stage of really fighting unemployment, not putting up with it."

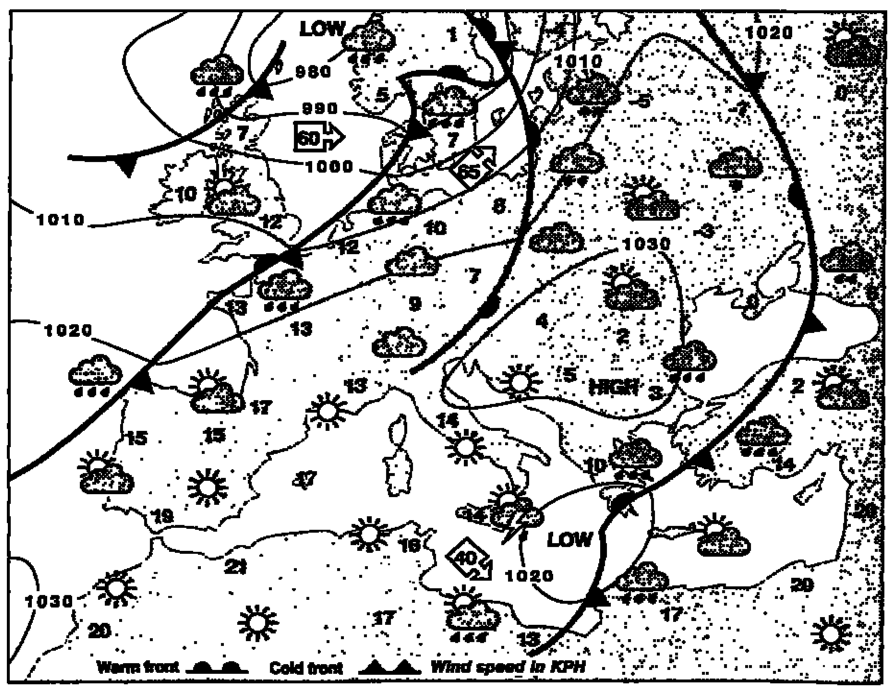
FT WEATHER GUIDE

Europe today

Rain, heavy at times, is expected in northern Germany, the Benelux, southern England, northern France and north-west Spain. Finland will have snow. In the British Isles, the rain will be followed by clearer skies with sunny spells and lingering showers. High pressure over the central Mediterranean will mean dry and sunny conditions from southern Spain to Bosnia and Romania. An active disturbance will cause unsettled conditions across Sicily, Greece and western Turkey with rain and occasional thunder showers. The Cyprus region will be sunny.

Five-day forecast

High pressure will build over the continent on Thursday and Friday bringing drier conditions to central and western Europe, but rain will arrive in the British Isles by Friday. Spain and Italy will stay rather sunny but disturbances will continue to bring cloud and rain to Greece and Turkey. The Balkans should be mostly sunny but will become colder during the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	24
Accra	fair	32
Algiers	fair	19
Amsterdam	rain	12
Athens	rain	14
Atlanta	sun	14
B. Aires	fair	29
B.ham	cloudy	11
Bangkok	fair	34
Barcelona	sun	15

Beijing	sun	2
Belfast	shower	8
Belgrade	sun	1
Berlin	cloudy	11
Bermuda	shower	20
Bogota	fair	21
Bombay	fair	33
Brussels	rain	12
Budapest	sun	4
C.hagen	rain	7
Cairo	fair	19
Cape Town	sun	23

Caracas	cloudy	28
Cardiff	cloudy	11
Casablanca	fair	19
Chicago	fair	4
Cologne	fair	12
Dakar	fair	29
Dallas	fair	17
Delhi	fair	23
Dubai	fair	24
Dublin	fair	10
Dubrovnik	sun	12
Edinburgh	fair	8

Faro	fair	19
Frankfurt	cloudy	12
Geneva	sun	8
Gibraltar	sun	18
Glasgow	shower	8
Hamburg	rain	11
Helsinki	snow	-3
Hong Kong	cloudy	12
Honolulu	fair	27
Istanbul	rain	8
Jakarta	rain	30
Jersey	rain	13
Karachi	sun	29
Kuwait	fair	23
L. Angeles	sun	28
Las Palmas	fair	20
Lima	cloudy	27
Lisbon	cloudy	16
London	cloudy	12
Lux.bourg	cloudy	10
Lyon	fair	12
Madeira	fair	19

Madrid	fair	15
Majorca	sun	17
Malta	shower	13
Manchester	fair	11
Manila	cloudy	31
Melbourne	fair	28
Mexico City	cloudy	24
Miami	sun	21
Milan	sun	8
Montreal	snow	-3
Moscow	cloudy	-5
Munich	fair	10
Nairobi	fair	27
Naples	sun	12
Nassau	cloudy	29
New York	fair	8
Nice	sun	13
Nicosia	sun	18
Oslo	fair	4
Paris	cloudy	13
Perth	fair	28
Prague	fair	7

Rangoon	fair	33
Reykjavik	fair	-5
Rio	fair	29
Rome	sun	15
S. Frsco	fair	16
Seoul	fair	-1
Singapore	shower	31
Stockholm	cloudy	6
Strasbourg	cloudy	12
Sydney	fair	26
Tangier	fair	18
Tel Aviv	fair	19
Tokyo	shower	8
Toronto	fair	1
Vancouver	shower	9
Venice	sun	8
Vienna	fair	5
Warsaw	cloudy	2
Washington	cloudy	10
Wellington	fair	18
Winnipeg	snow	-6
Zurich	fair	9

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FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

IBM to spend up to $2.5bn on buy-back

IBM has announced plans to repurchase up to $2.5bn of its common shares on the open market. At yesterday's share price the buy-back would cover about 5 per cent of *outstanding shares*.
Page 16

Credito Italiano wins control of Rolo
Credito Italiano (Credit), the Italian bank, looks to have won control of Credito Romagnolo (Rolo) of Bologna with its L3,770bn ($2.3bn) bid.
Page 14

Food and tobacco boost RJR Nabisco
A strong recovery in its tobacco business and rising food profits helped RJR Nabisco increase 1994 net income by 74 per cent to $806m, excluding one-off charges. Page 16

BMW profits undented by Rover buy
The BMW group – including British carmaker Rover for the first time – generated sales of DM42.1bn ($28.1m) last year. Profits were "satisfactory", and unhurt by last spring's acquisition of Rover, BMW said in a letter to shareholders.
Page 14

Michelin agrees deal with Continental
Michelin has agreed to set up a joint venture in Europe with Continental in a move it said would save each tyre manufacturer FFr300m ($57.25m) in cost reductions.

Norwegian banks clash with state
Den norske Bank and Christiania Bank, Norway's two largest commercial banks, have rejected demands by the state-backed Bank Investment Fund, their biggest shareholder, for a 1994 dividend of 50 per cent of net profits. Page 17

Strong recovery for Thyssen
Thyssen, the diversified German industrial group, confirmed forecasts of a strong recovery *with a 7 per cent rise in sales* to about DM8.6bn ($5.73bn) in the first quarter of *its financial* year to September 30. Much of the improvement came from the group's once *heavy formerly loss-making steel operations*.
Page 14

Cotton prices set to soar
Cotton prices this season are expected to average their highest level for 11 years because of a production shortfall, sharp increase in imports and shrinking world stocks, according to the International Cotton Advisory Committee. Page 21

Bankers ask Sandoz to consider Wellcome
Sandoz, the Swiss pharmaceuticals company, has privately acknowledged that merchant bankers have approached it as a possible new bidder for Wellcome, the UK company that is the subject of a hostile bid from UK rival Glaxo. Page 20

Kleinwort reacts to rumours
Both Kleinwort Benson, the UK house, and Dresdner Bank, its rumoured suitor, have denied they are in talks regarding a takeover of Kleinwort by the German bank. But the question remains of how long Kleinwort can maintain independence.
Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Chiron Stork	6⅛	–	2⅝
Goldschmidt	815	+	10	Cirrit Comm	9	–	1
Falls				Diamond Fds	11	–	¾
Asko Prf	620	–	25	**PARIS (FFr)**			
CKAG Col Pr	752	–	8	**Rises**			
Holzmann	765	–	10	Sam France	398	+	32
Rhein Bra	288	–	10.5	**Falls**			
Volkswagen	393	–	9	AGF	173	–	7
NEW YORK ($)				Cred Fonc	666	–	14
Rises				Essilor	702	–	15
Gen Motors	38⅝	+	1¼	Havas	368.9	–	9.1
Grpo Televisa	22¾	+	3¼	SILIC	680	–	30
Telefonos ADR	34⅝	+	3¼	**TOKYO (Yen)**			
Xerox	107⅞	+	2⅝	**Rises**			
Falls				Jap Wool	1120	+	70
Knight Ridder	52¼	–	¾	Showa El Wire	508	+	82
Wash Post	242	–	¼	Tokyu	890	+	55
LONDON (Pence)				**Falls**			
Rises				Daiei	1070	–	200
FII Group	323	+	38	Hanshin	638	–	36
Lloyds Abbey	369	+	31	Kikkoman	749	–	47
Norish	60	+	9	**BANGKOK (Baht)**			
Falls				**Rises**			
Excalibur	28½	–	8	Matichon	87.5	+	6.5
Skilaw	173	–	25	Nakornthon	9.0	+	0.8
Zotters	118	–	9	Thai Denmark	40.0	+	3.0
TORONTO (C$)				**Falls**			
Rises				Charoen Ins	101.0	–	9.0
Aetsts Corp	8	+	1	First Pac	13.5	–	1.25
Gaccamex Tec	6⅛	+	⅞	Thai Iryo	16.0	–	1.75
Fintrex Sys	15¼	+	1⅛				

Hong Kong closed. New York and Toronto prices at 12.30pm.

Upbeat Electrolux doubles dividend

Record profits achieved on capital gains but analysts warn of margin squeeze

By Christopher Brown-Humes in Stockholm

Electrolux, the world's leading household appliances manufacturer, opened Sweden's corporate reporting season on a buoyant note yesterday when *it doubled its* dividend after reporting record profits of SKr6.35bn ($855m) for 1994.

The result, after a SKr1.25bn profit in 1993, was heavily influenced by SKr2.77bn in capital gains, but it also reflected cost-cutting, new product ranges, and better demand in Europe and North America. All four divisions improved their operating performance, with the strongest upturn coming from household appliances, the largest unit.

The dividend increase to SKr12.50 restores the group's payout to its 1991 level before recession gripped many of its main markets, particularly in Europe.

Mr Leif Johansson, chief executive, was confident about prospects this year, particularly because European economic recovery was still at an early stage.

The group expects slower growth in the US market than in 1994, but believes it can still obtain volume and price increases in certain lines, helped by product launches.

The company is hoping for a 2 to 3 per cent rise in US white good volumes and for a 3 to 5 per cent rise in European white goods volumes this year, as well as price rises in both markets.

But analysts warned *that the group was* facing a margin squeeze, caused by higher costs for materials such as aluminium and stainless steel They said the company would find it hard to lift prices to compensate, particularly in an increasingly competitive European market.

Excluding capital gains, operating income rose 71 per cent to SKr5.02bn from SKr2.94bn. Underlying sales were 8 per cent higher at SKr108.3bn, with increased volumes accounting for five percentage points of the growth and price rises the rest. Net earnings per share were SKr65.5, against SKr8.0.

Electrolux said European white goods volumes rose 5 per cent in 1994 and by 7 per cent in the fourth quarter. By contrast, demand for commercial appliances remained weak, despite some upturn in demand in southern Europe and the Nordic countries in the second half.

In North America white goods volumes *rose 6 per cent over the year, but by just* 1 per cent in the fourth quarter, after a very strong performance in the 1993 period.

Figures from AEG Hausgeräte, the household appliances unit which Electrolux bought last year from AEG for DM730m ($484m), were included from October, *helping to lift otherwise static* fourth quarter sales to SKr28.5m from SKr25.9m. Fourth quarter profits more than doubled to SKr1.26bn from SKr538m.

Electrolux is still mulling over plans to spin off Gränges, its aluminium and metal working unit, and obtain a stock exchange listing for the company later this year.

Lex, Page 12; SKF results, Page 17

Axa to buy 51% of Australian insurer

By Nikki Tait in Melbourne and Andrew Jack in Paris

Axa, one of France's largest insurance companies, is paying A$1.1bn (US$840m) for a 51 per cent stake in National Mutual, Australia's second largest life company. Mr Geoff Tomlinson, National Mutual's managing director, said in Melbourne the deal would help to strengthen the group's balance sheet and provide "the right structure to take us into the next century".

The deal is the most significant yet for Axa in the Asia Pacific region, which *it has made* a target for its "third pillar" of expansion after a series of acquisitions in Europe and the US, where it acquired control of Equitable in 1991. Axa's Asian operations will be transferred to *National Mutual* which will become the vehicle for the French company's drive into the Asia Pacific region.

National Mutual has faced pressures in recent years stemming from over-ambitious growth in the late 1980s, followed by falling interest rates and property values in the 1990s. It has been looking to raise new funds for some time, which was given added urgency by Australia's impending introduction of new solvency and capital adequacy standards.

Under the proposed deal the Australian group would "demutualise" – or turn itself from a policyholder-owned company into one owned by shareholders – later this year.

At this point, Axa would inject the A$1.1bn, receiving an initial 40 per cent stake, in the form of ordinary shares, partly paid shares and capital securities. The remaining 60 per cent would be held by a trustee on behalf of National Mutual's members and policyholders. National Mutual would then float on the Australian and New Zealand stock markets within two years. Partly paid shares and capital securities would then convert into ordinary shares, taking Axa's interest to 51 per cent. Members and policyholders would hold the remaining 49 per cent.

The Australian federal treasurer said the government would raise no objection, provided National Mutual keeps its headquarters in Australia, and the chairman and majority of the directors are Australian citizens. Axa would also need fresh approval to raise its holding beyond 51 per cent.

Lex, Page 12; Analysis, Page 14

Japanese groups face up to squeeze in agrochemicals

Sumitomo Chemical in pesticide venture

By William Dawkins in Tokyo

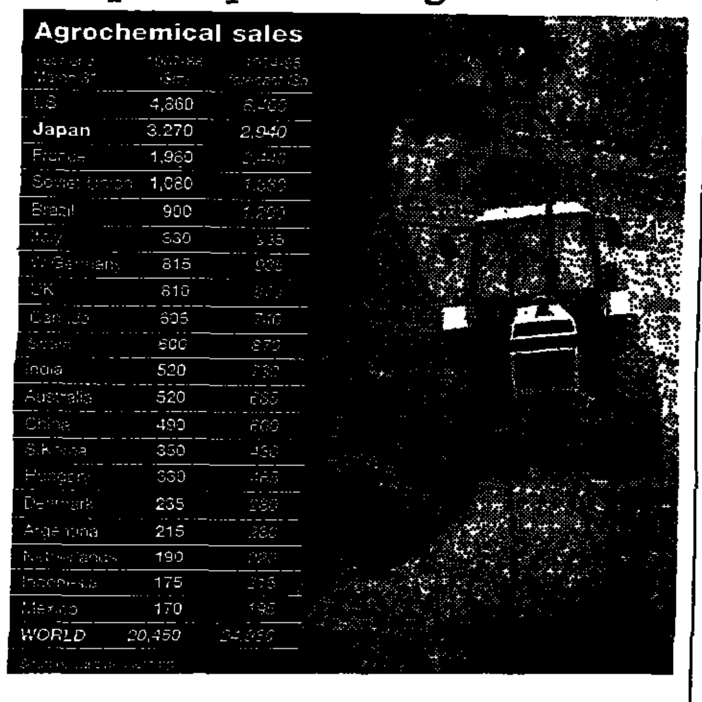
Sumitomo Chemical, *Japan's* largest *chemicals producer*, has unveiled an attempt to challenge foreign supremacy in the $2.9bn domestic market for agrochemicals.

Sumitomo *said it* would merge its agrochemical division with those of Chugai Pharmaceutical, Japan's leading drugs group, and medium sized Hodogaya Chemical by next year at the earliest.

This is the latest stage in a shake-up among Japan's 170 agrochemicals companies which face foreign competition and a long-term decline in the amount of land being farmed, according to Mr Nicholas Smith, equities *analyst at Jardine Fleming* in Tokyo.

Many of the companies are mere mixing factories, supplied with foreign ingredients, a typically low margin business on which profits are falling further as demand weakens from Japan's diminishing farm industry.

Sumitomo has been seeking to bring the three units together since the early 1990s with the formation of two joint ventures, with Chugai and Hodogaya, to make and distribute herbicides and pesticides. The planned merger of these two ventures marks the final step in that plan. Sumitomo and Sumitomo Corporation, the trading company *which forms the nucleus of the keiretsu* corporate family of that name, will hold majority control of the new company.



The merger seeks economies of scale in research and development, said Sumitomo. It marks a change in Japanese pesticide producers' strategy of leaving research and development, which costs an average of Y5bn ($50m) per new product, to richer foreign suppliers.

An estimated 65 per cent of the domestic pesticide market is supplied by US and European companies, according to a European agrochemicals executive. The trio in the Sumitomo merger have an estimated 7 to 8 per cent of the Japanese market.

In the past, Japanese agrochemical companies have made a comfortable living out of assembling active ingredients developed by foreign companies and channelling them through distribution networks for sale as Japanese brands. Until recently, foreign companies were content to leave distribution and marketing to them. The loss of control seemed a fair price to pay for entry to the world's second largest agrochemicals market.

But foreign producers are now taking advantage of deregulation and the price advantage from the yen's strength to distribute their own products direct to Japanese farmers. Monsanto, the US chemicals giant, recently announced that it plans direct agrochemicals distribution in Japan from next October.

Faced with the decline of their traditional mix-and-sell pesticides business, some Japanese producers are trying to develop their own products from scratch.

Japanese farmers use five times more agrochemicals per hectare than their US counterparts because of the intensive farming techniques needed to cope with high labour costs and a shortage of farmland, Jardine Fleming says.

UK regulator says Trafalgar should refloat Northern

By Robert Peston in London

An unprecedented proposal that Trafalgar House be permitted to acquire Northern Electric, a UK regional utility, only if it refloats 25 per cent on the Stock Exchange has been made by Professor Stephen Littlechild, Britain's director-general of electricity supply.

The Office of Electricity Regulation (Offer) has made the suggestion because it is concerned that its ability to carry out its functions as Northern's regulator – to prevent Northern abusing its position as a monopoly distributor of electricity – would be undermined if Northern were 100 per cent owned.

Offer's views are being considered by the Office of Fair Trading, which is close to making a recommendation to Mr Michael Heseltine, trade and industry secretary, on whether Trafalgar's £1.2bn ($1.9bn) bid should be referred to the Monopolies and Mergers Commission for further investigation. A decision is likely within 10 days.

If Northern were refloated, it would have to continue to meet London Stock Exchange financial reporting requirements. This would provide Offer with sufficient information to oversee Northern.

The suggestion is likely to outrage Trafalgar. It will argue that it runs counter to the spirit of the regional electricity companies' prospectuses, when they were privatised five years ago.

The government said it would create a free market in the electricity companies after March 31 1995 by cancelling its golden shares preventing takeovers.

Any refloation of Northern by Trafalgar would impose a significant financial cost on the construction and shipping group. It would pay a premium to take over Northern, while flotations are typically made at a discounted price.

If Offer were to impose the condition, the share prices of regional electricity companies – currently buoyed by takeover speculation – would fall, because they would be much less attractive to potential bidders.

Officials said yesterday there was no basis for referring the bid on competition criteria, the traditional reason for MMC referrals.

However, they believe that Mr Heseltine may favour an MMC reference because Trafalgar's bid is likely to be the first of many for electricity companies. He may want an extended probe into the effect of such takeovers on Offer's regulatory responsibilities.

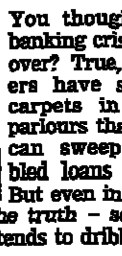
As an alternative to an MMC referral, Mr Heseltine could ask Trafalgar if it would give certain guarantees that the flow of financial information to Offer would be maintained. However, Trafalgar is likely to argue that it can give these guarantees even if Northern is not floated.

In order to allay Offer's concerns, Trafalgar is suggesting that Northern retain its public limited company status, that it should publish separate accounts and that it should have its own board. Offer last night refused to comment.

Bid acceptances, Page 20

Barry Riley

When honesty is the worst policy



You thought the banking crisis was over? True, bankers have special carpets in their parlours that they can sweep troubled loans under. But even in Japan *and France the truth – some of* it, anyway – tends to dribble out eventually.

Modern disclosure practices ought to ensure that the facts emerge quickly. Much is supposed to have changed since the hidden reserves and murky transfers that distorted banking profits were swept away. But however much the information flow may have improved in good times, in a crisis the shutters go back up. There are *still big* problems out there. The orderly world of Japanese banking was disturbed last Friday by Sumitomo Bank's decision to charge Y800bn ($8bn) in loan provisions for the current financial year ending next month. The write-off will be enough to plunge the bank into overall losses of Y280bn, the first loss admitted by a Japanese bank since the second world war.

Before Christmas the Japanese banking authorities had conducted a direct rescue of two small banking institutions, again marking a new postwar development. Previously, ailing banks have been quietly absorbed by ailing competitors.

Now look at France. Crédit Lyonnais is rumoured to be in need of further huge government injections, having already absorbed FFr19bn ($3.6bn) or so. The Suez group has warned about big property *losses*, and the state-owned insurance company GAN will need up to FFr3bn from the ever kindly French Treasury to plug the holes left by property losses.

So have the Japanese and French property markets gone into a sudden and unexpected slide? Apparently not; they have been sick for years. The difference is that some of the banks and *other* institutions are *ready* for the first time to admit the scale of the problems. This brings us to the classic paradox of bank reporting: *when banks admit a problem it may be almost over.*

The scale of the manipulation makes you wonder, however, why diligent officials laboured long and hard to create the Basle rules on bank supervision. One of the objectives was to create a level playing field, so that undercapitalised banks would not gain an advantage against more prudently resourced rivals. The main targets at the time were Japanese banks, which in the late 1980s were competing aggressively on the basis of skinflint ratios.

> When banks admit a problem, it is almost over

There are elaborate rules for tiers of capital, with an 8 per cent minimum capital adequacy ratio for risky loans. Japanese banks have dutifully fallen in line with the Basle rules, partly by shuffling around their equity holdings. But all the attention paid to the liabilities side of the balance sheet is irrelevant if the assets *side is fictitious.*

It should be said there is nothing uniquely Japanese about this problem. In the 1980s the US Federal Reserve leaned on strong banks which wanted to make a clean breast of their Latin American problems. They were told to reduce their provisions to a level which the weaker banks could match. Too much honesty could threaten a systemic risk.

Unwisely, however, the leading Norwegian banks took the disclosure rules too literally in the early 1990s. They declared losses which tipped them into insolvency and state ownership.

In most other countries more effective defence mechanisms come into play. The results can be perverse. For example, one of the purposes of the Basle ratios is to improve the robustness of banks against shocks. But if *banks admit* their *losses they* may breach the ratios. How inconvenient. So they will cover up the truth, aided and abetted by the regulators.

In fact the security for depositors in Japanese banks is not provided by the evidence in the balance sheets, which is almost worthless, but by the implicit guarantee from the Bank of Japan. The French state stands behind Crédit Lyonnais in a rather more overt way.

Not surprisingly these unwritten guarantees have introduced a powerful moral hazard, because deposit runs are no longer feared, and the risks accepted by banks everywhere have multiplied.

But the dangers are greater when the wall of silence is still in place. The Bank of Japan, in contrast, has given the go-ahead to Sumitomo's bad debt provisions because it thinks the financial *system is now stronger. Let's* hope it is right. But don't believe the ratios.

INTERNATIONAL COMPANIES AND FINANCE

Credit close to victory in bid battle for Rolo

By Andrew Hill in Milan

Credito Italiano (Credit) yesterday seemed to have won control of Credito Romagnolo (Rolo) of Bologna with its L3,770bn ($2.3bn) bid, after a struggle which has lasted more than three months.

The Milan stock exchange authorities said last night a majority of Rolo shares had been committed to Credit's L22,000-a-share bid.

Officially, there are still three days before the close of the two offers on the table. But the rival consortium – led by Cariplo, the Milan savings bank – will today publish a statement promising to withdraw its L21,500 counterbid in the absence of majority support from Rolo's shareholders.

Unless a third bidder emerges in the next three days, Credit will be able to press ahead with the creation of a combined banking group with assets of about L145,000bn and about 1,000 branches.

Italy's takeover authorities ruled 10 days ago that Cariplo and its allies could not relaunch their counterbid, creating bitterness in Bologna and among the members of the consortium.

Credit faces the challenge of maintaining the goodwill of Rolo's clients and supporters from the prosperous Emilia Romagna region of Italy, many of which favoured a takeover by Cariplo and its allies IMI, the banking group, Reale Mutua, the insurer, and Carisbo, another Bolognese bank.

Credit yesterday held a press conference in Bologna to explain its strategy for developing one of Italy's strongest regional banks without jeopardising its autonomy or identity.

The Rolo board rejected Credit's initial approach for a majority stake in October last year as hostile, and immediately sought alliances with more favourable partners. It has since treated even the increased offers, hedged by guarantees, with deep suspicion.

According to critics of the Credit takeover, victory by the Milan-based bank will bring Rolo into the sphere of influence of Mediobanca, the powerful Milan merchant bank, allies of which bought large stakes in Credit when it was privatised in 1993.

In Bologna, there are fears that in spite of its promises, Credit will have to push ahead quickly with a full merger in order to justify the cost of the offer.

Credit will not have to bear the full L3,770bn burden of the bid. It has agreed to sell a 5 per cent stake in Rolo to Ras, the Italian insurer which is part of the German Allianz group, and a 10 per cent stake to Cariplo, an aggressive local bank and competitor of Rolo.

BMW unhurt by acquisition of Rover

By Christopher Parkes in Frankfurt

The BMW group – including Rover for the first time – generated sales of DM42.1bn ($28.1bn) last year. Profits were "satisfactory", and unhurt by the effects of last spring's acquisition of the UK carmaker, BMW said in a letter to shareholders yesterday.

Turnover, excluding Rover, rose more than 10 per cent to DM31.95bn, topping the previous record of DM31.2bn, in 1992.

BMW's expansion out of its premium niche into the volume market drove total production to 942,400 cars. Within this total, output of BMW-marque vehicles rose about 7.5 per cent to 573,100, straining plant capacity and making necessary the introduction of extra shifts and holiday working.

Rover, which took on 2,000 workers during the year, lifted production 16 per cent to 478,000. The group's motor cycle division, meanwhile, reported a 32 per cent rise in deliveries to customers to a record 46,500 vehicles.

The company, which is expected to produce full profit details in March, said it expected further sales increases this year. US demand reached its peak, although market conditions were continuing to improve in Japan and most of western Europe.

Meanwhile, German sales were likely to be hit by the impact of higher taxes, leaving replacement sales as the main influence on the car market.

According to the German automotive manufacturers' association, VDA, west European passenger car sales are likely to rise by only 4 per cent this year following a 6 per cent increase in 1994.

Output from German factories was expected to increase about 5 per cent, it said in a review of market prospects yesterday.

BMW said its new registrations in Europe last year had matched overall market growth of 6 per cent, while it achieved similar gains in the stagnating domestic market.

Offer for Santa Fe withdrawn

Union Pacific, the US railway operator, is terminating its hostile offer for Santa Fe Pacific, one of the biggest US railway companies, AP-DJ reports from Bethlehem, Pennsylvania.

The move comes one week before Santa Fe shareholders were due to choose between Union Pacific and an agreed merger with Burlington Northern.

Union Pacific said it had become apparent it would need to increase its offer, an all-cash bid of $18.50 a share, in order to win. However, it was not prepared to do so.

The latest proposal from Burlington Northern puts a higher value on Santa Fe – about $3.8bn – but shareholders would get only one-third of the sum in cash.

They would also have to await regulatory approval of the bid before they could exchange the other two-thirds of their shares for Burlington stock.

Veba ahead 66% to DM2.5bn pre-tax

By Michael Lindemann in Bonn

Veba, the energy-based conglomerate which is branching into telecommunications, boosted pre-tax profits by 66 per cent, to DM2.5bn ($1.6m), during 1994.

The improved earnings were due to better results in all four divisions – electricity, chemicals, oil and trading – and follow a 49 per cent rise in net profits during the first nine months of 1994.

However, Veba gave no details of the size of its net profit or the dividend, saying both figures would be issued with the full results at the end of March. Veba last year paid a dividend of DM13.

Turnover last year rose 7 per cent to DM71bn, up from DM66.3bn the year before. The rise was attributed mainly to the first-time consolidation of the five eastern German electricity distribution companies bought by Veba's subsidiary PreussenElektra. Sales at PreussenElektra, Germany's second biggest electricity supplier, also advanced, as the industry pulled out of its worst recession since 1945.

Restructuring costs in the chemicals division, which has been the main source of problems for Veba in recent years, will total DM400m, higher than the DM250 originally set aside. However, the company said the chemicals division, which has tried to scale down its activities in commodities and concentrate on specialities, had increased its operating profits.

Veba said last week it was buying a 10.5 per cent stake in Cable & Wireless, the worldwide telecommunications group, and would enter the race for a licence for the provision of voice telephone services in competition with Deutsche Telekom, the state-owned monopolist, once the monopoly falls across most of Europe on January 1, 1998.

Telecommunications became the group's fifth division in 1994, but will have almost no impact on the results.

Thyssen lifted by steel turnround

By Haig Simonian in Bonn

Thyssen, the diversified German industrial group, confirmed forecasts of a strong recovery with a 7 per cent rise in sales to about DM8.5bn ($5.7m) in the first quarter of its financial year to September 30.

Much of the improvement came from the group's once loss-making steel operations, which have returned to profit due to stronger demand, price rises and deep restructuring.

Group orders rose 19 per cent in the first quarter. Even allowing for a large shipbuilding contract, the increase remained a "still very satisfactory" 10 per cent, according to Mr Heinz Kriwet, chief executive.

The improvement has led the group's board to repeat its forecast, first made in November, of a resumption in dividend payments in the current financial year after a lapse since 1992. Although Mr Kriwet gave no indication as to this year's pay-out – its last dividend was DM5 a share – he said the figure would be satisfactory. "You know the expectations of this board regarding satisfaction are high".

Group net profits swung to DM90m in 1993-94 against a loss of DM994m the previous financial year. Earnings before tax jumped to DM245m from a tax loss of DM864m. Group turnover climbed 4 per cent to DM34.9bn. Domestic sales rose 6 per cent to DM18.5bn, while foreign sales climbed just under 3 per cent to DM16.4bn.

The scale of the recovery in Thyssen's steel operations was seen in the swing from a loss in the first half to profit in the second half of the 1993-94 financial year. Nevertheless, losses for the year amounted to DM346m.

Mr Kriwet warned that although the group had turned the corner, further job losses were inevitable.

In 1993-94, Thyssen cut its workforce by more than 5 per cent to 129,369. Further redundancies would take place this year, with the majority coming in steel.

Steelmaking would remain highly cyclical, according to Mr Kriwet. In spite of the improved performance, he remained sceptical about the full privatisation of Europe's steel industry and the end of subsidies to state-owned loss-makers.

Insurer deal mutually beneficial

Nikki Tait and Andrew Jack examine Axa's ambitions in east Asia

The announcement yesterday that Axa, one of France's largest insurers, is buying a controlling share of National Mutual, Australia's second largest life company, goes a long way to satisfying the ambitions of both groups.

For Axa, commited to a plan to grow into a globally-recognised insurer, National Mutual offered a tempting way to extend its ambitions in the Asia-Pacific region into the next century.

For National Mutual, the A$1.1bn (US$835.2m) acquisition of 51 per cent of its shares by Axa was a solution to its search to find a means to raise new capital.

Axa has grown, under the chairmanship of Mr Claude Bébéar, from a small mutual company in Rouen into one of France's largest insurers. The growth has come through a series of mergers, first across the country and then increasingly across borders. Its most ambitious move came when it took control of the Equitable in the US in 1991.

Partly reflecting Mr Bébéar's personal interests, Axa has long looked on east Asia as its "third pillar" of expansion, with enormous growth potential for the 21st century. It already has an office in China and, in April, it begins operations in Japan. Control of National Mutual offers it the chance to expand far more quickly within the region.

National Mutual's appetite for capital stems largely from a highly-ambitious expansion strategy in the 1980s. Throughout that decade, its main goal was to displace Australian Mutual Provident as the country's number one life office.

It chased market share furiously and, in 1989, declared that it had finally overtaken its arch-rival in terms of new business written.

Unfortunately, the triumph was short-lived. The first blow came when its attempt to merge with Australian & New Zealand Banking Corporation, the large Australian bank, in a A$3.4bn deal was blocked by the federal government on competition grounds.

Then it became increasingly apparent that in its hunt for growth the insurer had written a large number of capital-guaranteed policies. As investment conditions soured and property values plunged, National Mutual was forced to dig into reserves. Bad publicity flowed, surrenders mounted, and the group's future looked extremely precarious.

Parallels with the Equitable, the US life office also rescued by an Axa capital injection in 1991, could easily be drawn. Indeed, speaking in Paris yesterday, Mr Bébéar said both groups had been characterised by a search for growth rather than profits.

Over the past 12 months, under different management, the Australian group's financial position has stabilised, and some signs of improvement have emerged. The insurer has refocused on three activities: the provision of insurance, superannuation, health and income protection policies in Australasia; a global fund management business; and the sale of life insurance in Asia. Businesses in the UK and US have been sold. Expenses have been tackled, and operating costs fell by 18 per cent last year.

Even so, the picture is not pretty. In the year to September, surrenders were still A$2.7bn, exactly in line with total premium income. Net assets totalled A$14.5bn by year-end, compared with A$15.4bn a year earlier.

National Mutual says the capital situation is not an emergency. However, it does admit that lack of resources could hinder expansion plans, notably into Asia.

It also notes that a new life insurance bill is making its way through Australia's federal parliament. This will almost certainly lead to more stringent solvency and capital adequacy standards. While the precise requirements have yet to be determined – and National Mutual stresses that it meets all current standards – the leeway provided by Axa's injection and the facility to raise further funds through the stock market could be of immense value.

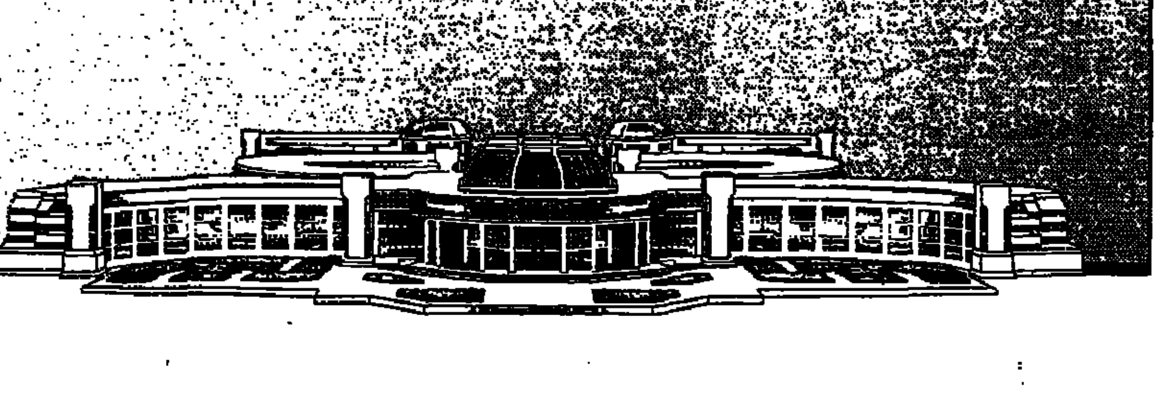
The political implications of letting control of one of Australia's largest institutions pass outside the country – the price likely to be demanded in return for any meaningful investment – was always going to be touchy. In the event, the government has attempted to soften the blow by making its agreement conditional on National Mutual becoming the vehicle for the enlarged Axa group's Asian expansion.

There is some commercial sense in this. While the wisdom of ploughing into these populous but often less-developed markets is much debated by insurance executives and analysts, National Mutual is at least further down the track than the French.

Its National Mutual Asia business, in Hong Kong and Macau, made an after-tax profit of HK$701m ($90.2m) in 1993–94, with premium income of HK$3.8bn and assets under management of more than HK$10bn – in spite of losing a chief executive and a number of agents early in the year.

The Australian company has also set up operations in Indonesia and Taiwan, and has been attempting to secure entry into the People's Republic of China.

Axa's current south-east Asian operations, by contrast, are modest. Assets under management at its partly-owned Singapore, Hong Kong and Malaysian interests were just US$78m in 1993, although the Australian group said yesterday its prospective owner had previously committed to spending some A$700m to building up its south-east Asian presence.



صكذا من الاصل

صكنا من الاصل

Strong advance at RJR Nabisco

By Maggie Urry in New York

A strong recovery in its tobacco business and rising food profits helped RJR Nabisco increase 1994 net income by 74 per cent to $806m, excluding one-off charges.

Earnings per share rose 38 per cent to 44 cents from 32 cents due to the increase in the number of shares in issue. In 1993 the US tobacco market was in turmoil after the price of Marlboro cigarettes was cut sharply in April.

Fourth-quarter net income rose from $38m, or 1 cent a share, to $204m, or 11 cents, excluding a $42m after-tax charge in 1994 for head office streamlining. The group, subject of a $26bn leveraged buy-out in 1989, is cutting back at head office level as it expects a "lower level of financing and other activities as the company concludes the post-LBO period".

RJR Nabisco is close to cutting its debt to under $10bn for the first time since the buy-out. Debt fell during 1994 by 10 per cent to $11.1bn and the company will soon repay a further $1.2bn of bank debt from the proceeds of the public offer of 19.5 per cent of the shares in its food subsidiary, Nabisco Holdings, last month.

The group said that on a pro forma basis the now-quoted Nabisco would have recorded net income of $291m or $1.10 a share, in 1994.

After the cigarette price war in 1993, RJR Nabisco said that in 1994 it increased tobacco operating income by 23 per cent to $1.48bn. That was in spite of a fall in sales volume of 7 per cent in the year and 10 per cent in the final quarter, as it improved the sales mix towards higher-margin, full-price brands. These accounted for 60 per cent of sales, up from 56 per cent in 1993. Its total market share fell 2 percentage points.

Outside the US tobacco volumes rose 6 per cent in the year, and with lower product and marketing costs, operating income rose 17 per cent to $756m.

Operating income from Nabisco, whose products range from biscuits to baby foods, topped $1bn for the first time in 1994, rising from $995m in 1993 to $1.16bn.

For the fourth quarter operating income rose 17 per cent to $359m.

It said the gain reflected new products, rising US market shares and expansion internationally. Within the US, biscuit volumes rose 7 per cent.

Scott Paper registers 159% gain

By Tony Jackson

Scott Paper, the world's largest maker of tissue paper, surprised the market with a rise of 159 per cent in fourth-quarter earnings to a record $1.19 a share before special items. For the year as a whole, earnings after special items were $210m or $2.81 a share, compared with a loss of $277m, or $3.75.

In the course of the year, Scott raised some $2bn through asset sales. Mr Albert Dunlap, chairman, said: "The substantially higher earnings were due primarily to our major one-time restructuring... I am also encouraged by the positive developments in most of our markets around the world."

Mr Dunlap, a turnround specialist formerly associated with Sir James Goldsmith, arrived as appointed chairman last April. He said the new Scott would be "a fast-moving, results-oriented, low-cost packaged products company".

Operating income from tissues rose 59 per cent in the year to $404m, on sales unchanged at $3.58bn. In the quarter, income rose 85 per cent to $135m on sales up 6 per cent to $961m.

In the US, income from tissue rose 53 per cent for the year and 81 per cent for the quarter.

In Europe, income from tissue rose 45 per cent for the year and 88 per cent for the quarter.

Scott's shares rose $3⅛ to $70 in early trading.

Eastman Kodak net earnings tumble to $18m in fourth term

By Tony Jackson in New York

Eastman Kodak, the US photographic and imaging company, reported net earnings for the fourth quarter of 1994 of $18m, or 5 cents a share, compared with $201m, or 61 cents, the year before.

However, the figures were heavily affected by special items, including after-tax charges of $354m for restructuring and $333m for the cost of unwinding a portfolio of derivatives, offset by $350m profit on disposals.

Mr George Fisher, chairman, said: "Looking at the fundamentals – earnings from continuing operations without all of the unusual charges – we have strengthened our financial position and established a solid foundation for growth."

In Mr Fisher's first full year with the company Kodak has gone through radical change, involving $7.9bn worth of disposals and $6.5bn of debt reduction.

For the year as a whole, operating earnings from consumer imaging (excluding restructuring costs) were unchanged at $1.07bn on sales up 12 per cent at $5.9bn. In commercial imaging, earnings were down 13 per cent on the same basis at $531m on sales up 4 per cent at $7.6bn.

Including all one-off charges and results from discontinued operations, net earnings for the year were $557m against a prior year loss of $1.52bn.

Mr Fisher said 1994 had been a year of "vigorous activity," in which the company had achieved most of what it set out to do.

In the coming year, he said, "we will work intensely to reduce operating costs and enhance asset utilisation rates, improve cycle time and defect reduction, and invest in operations aimed at driving revenue growth as we go forward".

Competition restrains Sprint

By Tony Jackson

Sprint, the US long-distance telephone company, saw its earnings growth slow in the fourth quarter, due chiefly to increased competition in the domestic long-distance market. While earnings from continuing operations in the full year rose 25 per cent to $862m, or $2.47 a share, the increase in the fourth quarter was only 9 per cent to $207m, or 59 cents.

Mr Arthur Krause, chief financial officer, said: "While you would never know it from the performance of our stock, 1994 was a record-breaking year fundamentally and an important year strategically."

Sprint's shares, which have dropped some 20 per cent in the past three months due to the slowdown in long-distance traffic, fell $⅞ to $28⅜ in early trading.

The company is in the process of finalising an international alliance with France Telecom and Deutsche Telekom, and also a telephone venture with a group of cable TV companies in the US. Mr Krause said definitive agreements on both were likely to be signed late in the current quarter.

For the full year, the long-distance division increased its operating income by 21 per cent to $805m, on sales up 11 per cent at $6.8bn. In the final quarter, income rose 4 per cent to $139m, but was 16 per cent down on the quarter immediately preceding, on sales 2 per cent lower.

Mr William Esrey, chairman, said: "Our string of nine consecutive quarters of increased operating income was broken in the fourth quarter, and we are taking steps... to further differentiate our services."

Operating income from local telephones rose 7 per cent in the year to $1.02bn. Income from cellular telephony rose from $24m to $86m. Mobile customers rose to just over 1m, twice the number 18 months ago.

IBM to spend up to $2.5bn on buy-back

By Louise Kehoe in San Francisco

IBM has announced plans to repurchase up to $2.5bn of its common shares on the open market. At yesterday's share price the buy-back would cover about 6 per cent of outstanding shares.

"IBM's financial position has improved significantly over the last year," said Mr Lou Gerstner, chairman and chief executive. "A stock repurchase programme is an efficient way to improve shareholder value."

IBM ended 1994 with $10.6bn in cash and marketable securities, an increase of $2.4bn since the end of 1993. Over the same period the company's total debt declined by $5.3bn to $22.1bn.

There had been widespread speculation that IBM might raise dividends, but yesterday IBM declared a regular 25 cent quarterly dividend.

IBM might also make a large acquisition, with Apple Computer, Lotus Development or Novell seen as possible targets of interest. Mr Gerstner did not rule out such a move, although it does not appear imminent.

IBM's research and development spending declined by $1.5 per cent last year to $4.4bn, or 6.8 per cent of revenues, down from $5.6bn, or 9.2 per cent of revenues, in 1993.

The common share repurchase programme follows IBM's earlier announcement that it planned to buy back up to $1.1bn of its preferred stock in a move to reduce further its long-term obligations.

IBM common shares were trading at $71⅞ in early trading yesterday, unchanged from Monday's closing price.

Munich bank buys east German unit

By Judy Dempsey in Berlin

Bayerische Landesbank, the Munich-based regional bank, yesterday secured a foothold in eastern Germany after buying Deutsche Kreditbank (DKB), the region's main mortgage and credit institution, finance ministry officials announced yesterday. The price was not disclosed.

The 100 per cent acquisition will give Bayerische Landesbank access to a wide customer account base, largely because DKB plays a prominent role in supervising the mortgage loans and loans to companies in the five eastern states.

DKB has an estimated equity capital of DM5.7bn ($3.7bn) and a balance sheet of DM20bn after debts. It employs 400 people.

DKB, which was hived off in 1990 from East Germany's Staatsbank, or central bank, was placed under the Treuhand privatisation agency until January 1, when it was transferred to the federal government after the agency wound up its operations. The operations of the Staatbank were taken over by Deutsche Bank and Dresdner Bank soon after German unification in 1990.

NEWS DIGEST

UBS to appeal against court move on share scheme

Union Bank of Switzerland is to appeal against a decision by a Zurich district court judge to maintain an injunction against the bank implementing its share unification scheme, writes Ian Rodger in Zurich.

The judge was ruling on Monday on a complaint by Mr Peter Hafter, a lawyer for the BZ financial group, against the bank's proposal to convert its registered shares into bearer shares.

The proposal was narrowly approved at a shareholders' meeting last November, but BZ is contesting it as part of a row over the bank's governance.

Mr Hafter's action was filed in parallel to an identical one made by BK Vision, the investment group controlled by BZ that is UBS's largest shareholder, apparently to protect the group's interests in case something went wrong with the main action.

The judge also rejected UBS's counter-claim for the BZ group to post a bond of SFr150m ($118m) to cover possible damages resulting from delays in implementing the scheme.

UBS said the judge's decision was strange, because there were several precedents for such a bond.

The main BK Vision action is before the Zurich Commercial Court awaiting UBS's formal response.

ING pays Fl 170m for Canadian insurer

Internationale Nederlanden Groep (ING) the Dutch banking and insurance group, is buying Canada's Wellington Insurance, AP-DJ reports from Amsterdam.

ING will pay about Fl 170m ($101m) in cash for Wellington.

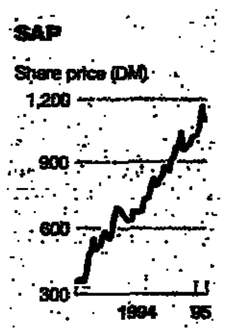
The deal will make ING Canada the second largest property and casualty insurer in the country with a market share of more than 6 per cent and premium income of Fl 1.2bn.

ING is buying the Ontario-based property and casualty insurance company from the Anglo-Canadian London Insurance Group.

It said Wellington had total assets of Fl 888m and 675 employees. Its 1993 income from premiums was Fl 450m and net profit was Fl 25m.

The acquisition includes all of Wellington's personal and commercial business lines, but excludes some business, including surety, written by the Wellington Guarantee Division.

Record sales at German software group



Rising international demand for SAP's R/3 client-server system generated record sales and profits for the German software group last year, writes Christopher Parkes in Frankfurt. SAP's turnover soared 66 per cent to more than DM1.8bn, easily exceeding the company's forecast of DM1.6bn. Operating profits jumped 84 per cent to DM472m, and net income was 92 per cent higher at DM281m.

German sales increased 19 per cent to DM657m, while turnover in the US rose 157 per cent to DM585m. The proportion of sales coming from foreign markets jumped to 64 per cent from 48 per cent in 1993.

In the 2½ years since R/3 was introduced it has been installed by more than 2,400 clients, SAP said.

Deutsche Bank plans DM3 dividend bonus

Deutsche Bank, Germany's largest bank, is to celebrate its 125th anniversary this year with a higher than expected DM3 bonus to shareholders on top of an unchanged DM16.50 dividend, writes Andrew Fisher in Frankfurt. It said this would be proposed to the supervisory board when the full 1994 results were presented.

Like other German banks, Deutsche Bank had a tough year in 1994. At the 10-month stage, group operating profits were 15 per cent lower at DM3.57bn ($2.4m).

Its image suffered as the bank headed a rescue operation at Metallgesellschaft, the troubled industrial and trading group, and cleared up after the collapse of the property concern of Mr Jürgen Schneider.

This week, the bank has been involved in the costly refinancing operation at Klöckner-Humboldt-Deutz, the engineering company.

Liechtenstein bank advances 13%

Verwaltungs-und Privat-Bank, Liechtenstein's second largest bank, has reported a 13 per cent rise in 1994 net income to SFr43.6m, and the directors are proposing an increase in dividends to 20 per cent from 18 per cent, writes Ian Rodger in Zurich.

Net interest income jumped 35 per cent to SFr61.9m while net commission income was flat at SFr39m. Trading income was up 6.4 per cent to SFr35.1m.

Provisions rose 42 per cent to SFr41m, mainly to strengthen reserves. Total assets at December 31, 1994 were SFr5.3bn, 7.2 per cent higher than a year earlier.

VP Bank said year-on-year comparisons were not precisely accurate because of a shift to European accounting standards.

KHD faces tough challenges, Page 17

Merloni expects 25% rise in gross profits

Merloni Elettrodomestici, the quoted Italian white goods manufacturer, expects to celebrate its 20th birthday this year with the announcement that gross profits increased by 25 per cent in 1994 to more than L60bn ($37.5m) before tax, writes Andrew Hill in Milan.

Merloni, which manufactures under the Scholtes, Ariston and Indesit brand-names, said yesterday consolidated turnover in 1994 had risen to L1,920bn, against L1,755bn in 1993.

The company said turnover would have exceeded L2,000bn had it not been for the Turkish economic crisis, which held back the results of the group's Pekel subsidiary.

Some 4.9m units were sold overall, with an increase in Europe of 510,000 units, equivalent to 1.2 per cent of market share.

● Sales at Gruppo Rinascente, the Italian retailer, increased 4.7 per cent in 1994 to L5,840bn. Rinascente, 35 per cent controlled by the Ifil holding company, said the increase was almost entirely due to improved volumes.

Gilead has promising anti-virus drug trials

Gilead, a California biotechnology company, yesterday revealed promising results in its final trials of a new anti-virus drug and said it was looking for drug company partners to sell it in Europe, the US and Asia, writes Daniel Green in London.

The drug, Vistide, also known by its generic names cidofovir and GS-504, will be submitted for regulatory approval later this year and is likely to be on the market next year.

Vistide is a treatment for a complication of Aids called cytomegalovirus (CMV) retinitis.

The trial results, announced at the Conference on Human Retroviruses and Related Infections in Washington DC, showed that untreated patients got much worse after an average of 22 days. Those treated took 120 days to worsen as much.

Gilead would do some sales and marketing in the US, but foreign rights were for sale over the next year.

The company has partnerships with Glaxo of the UK and American Home Products, for other products in Gilead's portfolio. Vistide is holding trials on a broad anti-viral treatment aimed at herpes sufferers, a market dominated by UK companies Wellcome and SmithKline Beecham.

ITT unit buys Spanish insurance group

ITT Hartford Insurance is acquiring Allianz-Ercos de Seguros y Reaseguros, a Spanish insurance company controlled by the European insurer Riunione Adriatica di Sicurta, Reuter reports. The acquisition, subject to Spanish regulatory approval, is expected to be completed by June, said ITT Hartford, which is part of ITT, the US conglomerate.

Ercos, based in Bilbao, provides property/casualty, life and pension coverage. Last year it wrote $70m in premiums. Ercos, which will operate as an independent subsidiary of ITT Hartford, has 195 employees and 25 offices in Spain.

GM surges to $1.33bn in Europe

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS IN EUROPE*

	1990	1991	1992	1993	1994
Net profit ($bn)	1.915	1.763	1.333	0.604	1.337
Opel/Vauxhall units produced	1,674,213	1,628,213	1,726,036	1,434,922	1,676,090
Opel/Vauxhall workforce†	93,300	94,800	91,500	84,900	80,400

*Includes all GM group operations; † Including IBC vehicles in UK. Source: General Motors

General Motors, the world's biggest vehicle maker, more than doubled net profits of its group operations in Europe to $1.33bn last year from $604.7m a year earlier.

The net profits of its core European vehicle operations, comprising Opel/Vauxhall and its 50 per cent holding in Saab Automobile, rose by more than 40 per cent to around $850m from $598m in 1993. The net profit margin of the vehicle operations rose to 4 per cent from 3 per cent a year earlier.

The operating profits of the vehicle operations increased more sharply, but the rise in net profits was slowed by an increase of around $200m in tax charges.

GM said that it had maintained its leadership as the most profitable volume carmaker in west Europe last year.

It raised its production of Opel/Vauxhall cars and light commercial vehicles (excluding Saab and IBC Vehicles) in Europe by 16.8 per cent to 1,676,090 from 1,434,922 a year earlier.

The workforce, comprising Opel/Vauxhall and IBC Vehicles (GM's 60:40 joint venture with Isuzu in the UK) but excluding Saab, was cut to 80,400 at the end of 1994 from 84,900 a year earlier. The workforce has been cut by 15.2 per cent in the past three years from 94,800 at the end of 1991.

Mr Jack Smith, GM chief executive, said that the profitability of the group's European automotive operations had improved primarily due to higher sales and production volumes, lower redundancy costs and further reductions in manufacturing and purchasing costs.

Opel/Vauxhall (Opel in continental Europe and Vauxhall in the UK) was the leading car brand in west Europe last year with a market share of 12.6 per cent compared with 12.7 per cent in 1993.

Sales of Opel/Vauxhall cars in west Europe rose by 4.8 per cent last year to 1,499,450 from 1,430,901 a year earlier, while total group car sales (including Saab and imports from the US) in west Europe rose by 5.2 per cent 1,565,150.

Vehicle output last year was boosted by a strong increase in exports of Opel cars to markets outside west Europe, which rose to around 195,000 from 130,000 a year earlier.

Capital expenditure for the vehicle operations fell slightly last year to $1.1bn from $1.2bn a year earlier, but spending will increase this year due to the launch in the autumn of a new generation Opel Vectra/Vauxhall Cavalier large family car.

Du Pont and Dow to form joint venture

By Jenny Luesby

Du Pont and Dow Chemical intend to hive off their elastomer businesses into a joint venture with annual sales of $1bn, rising to $2bn within five years, they said yesterday.

Du Pont's elastomer sales already account for around $800m a year in the $15bn elastomer market. But Dow's proprietary technology would provide significant cost advantages and generate far more rapid growth, said Mr Don Faught, head of Du Pont's European operations.

The new enterprise would be the first tie-up between Du Pont and Dow and would produce intermediate elastomers, adhesives, moulded elastomer products, and components for the car, wire and cable, and construction industries.

Negotiations ahead of a agreement would take up to 12 months, Du Pont said yesterday, but development work had already begun using Dow technology Du Pont plant.

The companies were also looking at ways of expanding their joint capacity. Around 30 per cent of Du Pont's elastomer production is in Europe, 5 per cent in Asia, and the remainder in the Americas.

Xerox benefits from strong sales

By Maggie Urry

Strong sales of its document processing equipment helped Xerox to increase net income by 37 per cent in 1994, and 32 per cent in the final quarter, excluding special items and discontinued operations from the 1993 numbers.

Net income was $311m for the fourth quarter and $794m for the year. Fully diluted earnings per share were $2.60 for the final three months, up from $2.07 excluding one-offs and $6.44 for the year, a gain from $4.86.

Mr Paul Allaire, chairman and chief executive, said the "substantially better" financial performance in 1994 reflected "across-the-board improvements to our business".

Equipment sales grew 13 per cent in the final quarter, and 10 per cent for the year as a whole.

Document processing revenues totalled $15.1bn for the year, a gain of 6 per cent, and $4.6bn in the final quarter, up 13 per cent.

Black-and-white copiers represented 60 per cent of the group's sales in the fourth quarter, a declining proportion, as sales of digital products and colour printing and copying equipment grew more quickly.

In the last quarter digital products accounted for 25 per cent of total revenues, increasing sales in the quarter by 32 per cent.

Mr Allaire said that since launching the DocuTech Production Publisher four years ago, digital publishing was now "a billion-dollar-a-year business for Xerox". Colour products sales doubled in 1994 to $400m.

Argentaria edges ahead at net level

By Tom Burns in Madrid

Pre-tax profits at Argentaria, the partially-privatised Spanish banking group, fell by 9.8 per cent to Pta94.2bn ($717.5m) last year.

However, lower fiscal provisions allowed it to post a net income after minorities of Pta66.4bn, 2.4 per cent up on its 1993 after-tax profits.

The net profit increase permitted Argentaria, which is 21 per cent owned by foreign institutions, to lift its dividend per share by 4 per cent from Pta250 to Pta260.

Describing 1994 as a "difficult year" for the banking group, Mr Francisco Luzón, chairman of Argentaria, said net interest revenue fell by 5.2 per cent to Pta228bn last year and that operating profit dropped by 8.3 per cent to Pta120bn.

Argentaria was particularly penalised last year by the volatile bond market; debt and equity trading profits of Pta52.1bn in 1993 tumbled to trading losses of Pta21.4bn in 1994.

Mr Luzón said Argentaria had nevertheless successfully protected its leading position in Spain's institutional lending and mortgage markets as well as its dominant share of the domestic corporate banking business and of the debt and equity trading sectors. He said the group was on course to widen its customer base as a retail bank.

Customer loans increased by 2.7 per cent to Pta6,380bn last year, funds from clients rose by 10.7 per cent to Pta5,594bn and fee commissions totalled Pta51.8bn, 23.4 per cent up on 1993 following the introduction of new remunerated accounts and of consumer credit products.

Rising prices lift results at Methanex

By Robert Gibbens in Montreal

The improvement in international methanol prices last year had a dramatic impact on the results of Methanex, the world's biggest methanol producer.

Fourth-quarter revenue jumped to US$611m from US$143m and net profit was US$236.3m, or US$1.20 a share, against US$5.9m, or 4 cents, a year earlier.

Methanol prices began rising with world recovery early in 1994, rising six-fold by autumn. They have since slipped to about US$450 a tonne, against the 1993 low of just over US$100.

For 1994 Methanex earned US$442.7m or US$2.24 a share against US$10.7m or 6 cents a share in 1993. Revenues were US$1.5bn against US$538m.

Methanex is 24 per cent owned by Nova, the Calgary energy group, which posted record 1994 profits, including special gains on asset sales.

Fourth-quarter net profit was C$208m (US$146.76m) or 44 cents a share, up from C$40m, or 10 cents, a year earlier. For the full year, net profit was C$575m, or C$1.24, up from C$191m, or 47 cents, a year earlier.

KHD still faced with some tough challenges

Observers believe the sale of the group's industrial plant division to raise further funds is likely

The emergency rescue package announced on Monday by *Klöckner-Humboldt-Deutz may* have fuelled the debate about German banks' stakes in business, but it will also have important industrial consequences.

The financial problems of KHD, which traces its roots to German internal combustion engine pioneers such as Nicolaus August Otto, have forced it to announce the sale of its tractors and combine harvesters businesses to Same of Italy.

If Cologne-based KHD also sells its industrial plant division to raise further funds, as some observers believe is likely, it will be left with just its core diesel engine business. But even here it faces big challenges in safeguarding its long-term future – and maybe its independence, too.

The past decade has been a testing time for KHD in the diesel engine business, which will represent almost 70 per cent of sales following the disposal of the agricultural machinery division.

KHD is the world's largest producer of multi-cylinder air-cooled diesel engines, and invested heavily to keep ahead of emission and noise legislation. Eventually, however, it was forced belatedly to enter the market for liquid-cooled engines – launching its first, the 1011, in 1988 – as this was the only way to conform with ever-tightening European-wide emission *regulations*.

In 1992 it opened a factory at Porz, in Cologne, to build the liquid-cooled engines. The plant is claimed to be the world's most sophisticated diesel engine factory, but KHD has had difficulties increasing capacity utilisation.

Unfortunately, some of KHD's clients in the construction machinery industry have been slower to make the same switch from air-cooled to liquid-cooled engines, delaying growth in sales of the newer products.

Analysts suggested the smaller 1011 engine had seen strong sales but it was still unclear whether the larger, water-cooled engines which were introduced only 18 months ago would be as *successful*.

There has also been a problem of competitiveness for KHD at its main plant, an ageing facility in Deutz, another suburb of Cologne. Cut-throat competition and reduced margins in the world diesel engine market have exposed its high cost base, compared with rival producers.

As for its markets, KHD is heavily dependent on the highly-cyclical construction equipment sector, including engines for mobile compressors. The sector takes one-half of its third-party engine sales (that is, excluding sales to the farm equipment business).

Mr Allan Rawnsley, a UK-based consultant, says the immediate prior*ity for KHD is to reassure its existing* customer base of OEMs (original equipment manufacturers). "If they become jittery, they could begin to look more closely at competitors' engines," he says.

Andrew Baxter in London, **Michael Lindemann** in Bonn and **Andrew Hill** in Milan assess the German group after the sale of its tractors and combine harvesters businesses

The co-operation deals which the company is hoping for could also be important for increasing sales. Mr Rawnsley believes a number of "prestige link-ups," similar to those signed in recent years by Perkins Engines in the UK, would be beneficial.

Reducing the exposure to construction equipment is possible. There is industry speculation that KHD may be trying to step up sales of engines for power generating sets (gensets) by *investing in a genset producer.*

Its position in the on-highway vehicle market remains weak, but would be hard to improve against entrenched "captive" (automotive industry-owned) and independent engine suppliers.

Uncertainties about how quickly KHD can get its diesel engine business into profit also fuelled speculation that the company might be taken over by a larger engine maker.

"I can't imagine the company will be independent in five years," one German analyst says. "Up to now they [KHD] couldn't sell the operation because nobody wanted the agricultural machinery division."

MAN, another important German engine maker, would be a possible buyer, he says, and would gain a big position in the European construction equipment sector. The two companies' industrial plant activities would also fit together well.

Other possible buyers are Cummins, the US engine maker which is one of KHD's main competitors but is still relatively small on the European market, and Caterpillar, the US maker of construction machinery and diesel engines.

Meanwhile, the planned sale of the farm equipment business has created an opportunity for Same to join the premier league of tractor producers, *with a market share in Europe of* around 12 to 13 per cent. That puts it behind Fiat-owned New Holland but on roughly the same share as Deere, with Massey Ferguson and CaseIH close behind.

Same, based in Treviglio in northern Italy, already had strong links with KHD. Under a co-operation agreement signed four years ago, the family-owned company was producing a line of tractors for the German company, sold under the Deutz trademark.

Once the deal is finalised, Same hopes to take advantage of the German company's strength in northern Europe. Since its foundation in 1927, Same's products – sold under the Same, Hurlimann and Lamborghini marques – have been developed with a particular eye to the needs of Mediterranean farmers.

Its strongest markets include Italy itself, France, Spain and Portugal, although it is also market leader in Switzerland and has made inroads into eastern Europe.

The fact that Same managed to pull off the German purchase in spite of the weakness of the lira against the D-Mark is an indication of the strategic importance it attaches to the purchase.

Norwegian banks clash with state over dividends

By Karen Fossli in Oslo

Den norske Bank and Christiania Bank, Norway's two largest commercial banks, have rejected demands by the state-backed Bank Investment Fund, their biggest shareholder, for a 1994 dividend of 50 per cent of net profits.

The clash is expected to test the authority of the banks and how far the state is willing to interfere in the bourse-listed companies.

The fund was established in 1991 as a vehicle through which to channel more than NKr20bn ($3.02bn) of state funds to rescue the banking system when it was on the verge of collapse.

The appropriations subsequently resulted in the state owning 72 per cent of DnB and 68.9 per cent of Christiania, shareholdings which are managed by the fund on the state's behalf.

At the time of the rescue the minority Labour government stressed it would not interfere in the banks' business.

The state is now seeking to define dividend policy, in a move testing the banks' independent authority. Both DnB and Christiania have sought to play down the conflict.

In a confidential letter which the banks publicised, the fund stressed that the owners of the banks should determine dividend policy which "defines what the owners demand from the bank, and thus from the bank's directors and management".

"A company cannot readily live with a situation in which the directors and owners hold fundamentally different views on the dividend policy," the fund warned.

Norway's Companies Act states that the board is responsible for proposing the dividend, which cannot be increased by the general assembly.

The state could overrule the banks by rejecting 1994 accounts in which the dividend payment is proposed, but could also exert political pressure.

This would create a situation in which the state would challenge the authority of the banks' boards and could in effect force their resignation.

The fund argues that the banks experienced exceptionally good results in 1994 and that an "extraordinary" dividend would not weaken capital adequacy for which a goal for core capital of 6 to 7 per cent of risk-weighted assets has been set.

The banks argue that a dividend of between 30 per cent and 40 per cent represents market practice, with the payout ratio being relatively low in years with a high net result and similarly high in years with low net results.

DnB is due to publish 1994 accounts on February 14 and Christiania a week later.

Both banks are widely expected to achieve record results, helped by significant reversals of loan loss allocations, which will enable a dividend for the first time in five years.

SKF in black after three years of losses

By Christopher Brown-Humes in Stockholm

SKF, the world's leading maker of roller bearings, yesterday ended a three-year run of losses when it announced a SKr1.8bn ($242.3m) preliminary profit for 1994. The result topped its latest forecast by SKr300m.

The Swedish group's recovery last year, from a SKr669m deficit in 1993, culminated in the fourth quarter with better than expected sales growth and margins. The performance was ahead of analysts' expectations, pushing the group's shares up SKr1.5 to SKr131.

SKF has benefited from strong demand from car and truck manufacturers in Europe and the US, and a gain in market share in some of its key business segments.

Cost-cutting, lower financial costs, and a return to profit at subsidiary Ovako Steel after four consecutive years in the red, have also contributed.

Sales grew to SKr33.3bn from SKr29.2bn, mainly because of higher volumes. The group stressed it was only providing limited information to alert the market to its stronger than expected showing. More detailed figures will be provided on February 23, when analysts are confident it will restore its dividend. There was no payout in 1992 or 1993.

In the fourth quarter – traditionally the company's strongest period – the group achieved a profit of around SKr660m, against SKr40m in the same 1993 period.

The company says its long-term plan is to find a partner for Ovako Steel. However, it has decided not to sell the unit outright, partly because it wants to ensure it has ready supplies of bearing steel.

ANA places $654m of Airbus orders

By Gerard Baker in Tokyo

All Nippon Airways (ANA), Japan's second-largest carrier, yesterday announced that it had placed firm orders for 10 Airbus A321-100s in a deal worth Y64.5bn ($654.3m), as part of a review of its fleet requirements to the year 2000 and beyond.

ANA will take delivery of its first 200-seat A321 in 1998 for domestic use.

The airline said it had chosen the A321 because of its compatibility with the A320, of which ANA already operates 17 on domestic routes. The A321 is a stretched version of the A320 and ANA believes that similarities between the two aircraft in operating and maintenance will prove a cost-effective addition to its fleet.

But at the same time the airline announced that it was deferring until 2000 at the earliest the delivery of five A340 long-range aircraft originally scheduled for delivery beginning in 1996. It was also revising its orders for Boeing aircraft as a result of changes in its route plans.

An ANA spokesman said, "Our original fleet requirements, which included a considerable number of aircraft for use on long-haul international routes, assumed the completion of the second runway at Tokyo's Narita airport. As this has not happened we feel the need to concentrate more on our operations to short-haul international destinations from the new Kansai airport in Osaka."

The airline currently has 118 aircraft in operation, of which 36 are Boeing 747s and 61 are Boeing 767s. The addition of the A321s will take the airline's fleet of Airbuses to 37 by the year 2000.

ANA has struggled in the last five years as profit margins on short-haul routes, its main business, have been slim. The company's pre-tax profits declined from Y25.4bn in the year to March 1991 to Y2.8bn last year. This year it expects to do no better than break even.

● Japan Airlines (JAL) plans to boost its capacity by 7 per cent in the year to March 1996, AFX reports from Tokyo. The increase mainly reflects the first full year of operation of the Kansai International Airport, built on a man-made island near Osaka and which opened last September, JAL said.

JAL said it has not changed its forecast for the year to March 1995 of break-even at the net level on revenue of Y1,020bn. In the year to March 1996, it plans to increase its fleet by nine.

Qantas float timing switch

The Australian government has decided to broaden the timetable for floating its 75 per cent stake in Qantas to between mid-May and mid-July this year, Reuter reports from Canberra.

The original timetable for floating the international airline, in which British Airways has a 25 per cent stake, would have given the government only "a handful of days" after announcing its 1995-96 budget in May to launch the public offer, said finance minister Mr Kim Beazley. The government had expected to receive proceeds of the sale by the end of fiscal 1994-95 on June 30.

Write-down of A$314m in PosGold asset values

By Nikki Tait in Sydney

Normandy Poseidon, the Australian mining group headed by Mr Robert Champion de Crespigny, said yesterday that it had decided to adopt "a more conservative accounting policy" with regard to certain asset valuations – and was taking a A$314m (US$238.4m) write-down in the carrying value of assets at its Poseidon Gold subsidiary as a result.

In future, the group said, it would determine the recoverable amount of non-current assets on the basis of discounted, rather than non-discounted, cash flows. It noted that Australian Accounting Standards permit both treatments, but said directors believed the former would provide "an appropriate and more conservative indication of the value of an asset".

The main impact will be on Poseidon Gold, which is 51 per cent owned by Normandy Poseidon and is adjusting its accounting policies in line with those of its parent. PosGold said that it would reduce the carrying value of its assets by A$314m, with effect from October 1 last year.

The gold producer will seek to offset the impact of this write-down by transferring an appropriate amount from the balance of the share premium account, to retained profits.

The asset value of PosGold's 62 per cent-owned Bounty gold mine in Western Australia has been cut by A$108m to A$44m; A$82m of goodwill associated with the takeover of Aztec Mining last year, and A$28m of goodwill on the acquisition of Gold Mines of Kalgoorlie has been revised to nil; and there is also a write-down in respect of PosGold's 30.15 per cent equity share in GMK.

Shareholders pass News Corp plans

Shareholders in News Corporation, Mr Rupert Murdoch's media group, yesterday approved a series of changes to the company's articles of association at an extraordinary general meeting in Adelaide, writes Nikki Tait.

The changes stem from News' decision to issue a new class of preferred limited voting stock last year.

Shareholders sought guarantees that these new shares would receive the same treatment as the ordinary shares in the event of a takeover, and also that they would receive a clearly-defined dividend premium over the ordinary shares.

German attack on Benetton comes at a delicate time

A high-profile court case and resignation of managing director have rattled investors, reports Andrew Hill

Benetton, the quoted Italian clothing group, courts publicity. Its poster campaigns, sponsorship of Formula One motor racing, and the fact that it has a shop on most high streets in more than 120 countries, have made it one of Italy's best-known brand-names.

It was hardly surprising that certain Benetton licensees in Germany, disgruntled by the group's policies, chose last month to fight fire with fire.

Faced with a damages claim from Benetton for not paying for merchandise, they have hit back with a counter-claim and their own vocal media campaign, accusing the Italian company of undermining their livelihood with aggressive sales tactics and unpopular shock-advertising.

The German court case may amount to no more than a piece of grit in the well-oiled Benetton publicity machine. But it has come at a delicate moment in the development of the clothing company, which this year celebrates its 30th anniversary.

Mr Aldo Palmeri, Benetton's managing director announced 10 days ago he was to step down, having brought the company to the end of one phase of its international development.

At the same time, Edizione Holding, the family company which still owns more than 70 per cent of Benetton, has begun to diversify into new areas. Since the beginning of the year, the group's share price has slipped from more than L19,000 to about L17,500, in an uncertain Italian market.

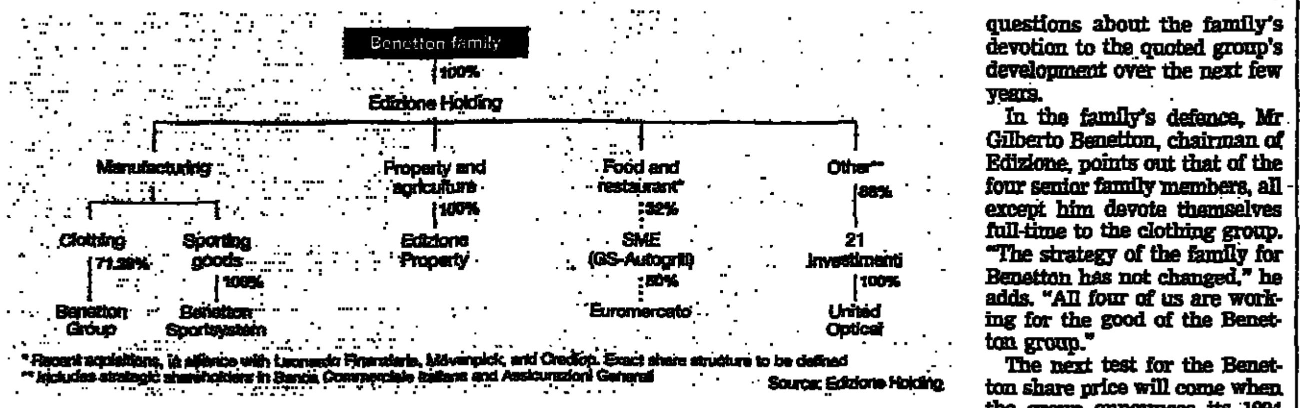
So far, in spite of dark hints by the Germans of Europe-wide disgruntlement with Benetton's behaviour, few other licensees have taken a public stand, and a number have come out in defence of the Italian group.

The criticism of the group's advertising campaigns and the call for a boycott seem the latest phase in a long series of controversies, often deliberately provoked by Mr Oliviero Toscani, the creative force behind most of the images.

The attacks on the group's method of running its retail network strike deeper. The innovative system is usually considered one of the Benetton's commercial strengths and the German licensees' behaviour is the most important sign that the recession is taking its toll on parts of the worldwide network of about 7,000 stores.

Benetton's shops are not franchises. Like a franchiser, Benetton advises on shop decor, location, advertising and purchase of the products. Unlike a franchiser, however, it does not receive royalties on sales, nor give the licensee exclusive rights to a particular territory.

In an article published in 1992, Mr Luciano Benetton, the quoted company's chairman, underlined the flexibility of the system which he said was based on a simple equation: "A Benetton shop owner agrees to sell Benetton products. In exchange, we agree to take care of the image and promotion of the Benetton trademarks and guarantee speed and timeliness in the supply of our merchandise."



* Recent acquisitions, in alliance with Leonardo Finanziaria, Mövenpick, and Credito. Exact share structure to be defined ** Includes strategic shareholdings in Banca Commerciale Italiana and Assicurazioni Generali Source: Edizione Holding

Broadly speaking, this means that in the good times, the entrepreneurial spirit is encouraged. In bad times, less skilful retailers may find themselves in trouble.

Analysts point out that it would be unrealistic to expect Benetton to allow its licensees the sort of flexibility that could damage the group, either by undercutting its image or its financial position.

In any case, this is not the first time licensees have suffered. "In our system, unfortunately it is normal in moments of economic crisis that there are shops that have to close and then others which reopen afterwards," says Ms Laura Pollini, a Benetton official. "It happened before in the oil crisis of the 1970s."

However, investors have been rattled by the combination of the high-profile German case and the resignation of Mr Palmeri, who was managing director for all but two of the last 12 years.

Mr Palmeri cited the changing demands of the Benetton family as one reason for his decision, but he says his relationship with the quartet of siblings who run the company is, appropriately enough, "fraternal".

One source close to the group points out that at Benetton, the role of managing director is that of mediator and co-ordinator, rather than chief strategist.

The three Benetton brothers – Luciano, Gilberto and Carlo – and their sister, Giuliana, take direct responsibility for aspects of the group, such as marketing, design, and finance, which in other companies would be developed by the managing director.

That would explain why an ambitious businessman, like Mr Palmeri, preferred to pursue his own ideas outside the group.

In spite of Mr Palmeri's denials, his departure has been linked to the decision by the family company, Edizione Holding, to diversify into food retailing and motorway restaurants (see accompanying article).

That has in turn invited questions about the family's devotion to the quoted group's development over the next few years.

In the family's defence, Mr Gilberto Benetton, chairman of Edizione, points out that of the four senior family members, all except him devote themselves full-time to the clothing group. "The strategy of the family for Benetton has not changed," he adds. "All four of us are working for the good of the Benetton group."

The next test for the Benetton share price will come when the group announces its 1994 results this spring.

Last month, Benetton revealed that record levels of production and sales were achieved last year, and turnover – which reached L2,751bn ($1.7bn) in 1993 – should have grown by about 4 per cent in 1994.

That is partly due to the aggressive price-cutting policy begun in 1993-94 to combat the retail recession. But price reductions mean volume improvements are likely to translate into a rise of only 4 per cent or 5 per cent in net profit for 1994.

Benetton says it is calm, because its pricing policy has allowed it to push up market share in preparation for the next retailing upturn. But the 1994 figures could disappoint investors accustomed over the past four years to net profit increases of 12-24 per cent.

Family shopping spree raised shareholders' eyebrows

By Andrew Hill in Milan

What rich, self-made Italians do with their money is, perhaps, nobody else's business. But the Benettons and the Del Vecchios are different.

They happen to control two of Italy's most successful quoted companies – respectively, the Benetton clothing group, and Luxottica, the thriving spectacle manufacturer, listed in New York.

So when they went out before Christmas to do some family shopping, and came back as Italy's biggest private food retailers, minority shareholders in the quoted companies felt justified in prying into the families' strategy.

The private family companies Leonardo Finanziaria (for the Del Vecchios) and Edizione Holding (for the Benettons) teamed up for two acquisitions.

Together with Crediop, part of Turin's San Paolo banking group, and Mövenpick, the Swiss hotel and restaurant company, they successfully bid for SME, the state-controlled supermarket and catering group. The consortium should eventually pay about L1,400bn ($876m) for a 64 per cent stake.

Last month, the Del Vecchios and Benettons bought the Euromercato hypermarket business for L971bn from Mr Silvio Berlusconi, the media magnate and former Italian prime minister.

Predicting the eventual structure of the SME-Euromercato group is difficult, because SME will retain its stock market listing. SME owns the GS supermarket chain and Autogrill, a motorway restaurant business.

But Mövenpick and the Benettons are likely to look after Autogrill in the hope of expanding its business internationally. Leonardo Finanziaria and Edizione, meanwhile, will hold equal stakes in GS-Euromercato.

Critics – including other Italian retail groups defeated in the bidding for GS and Euromercato – are sceptical about the moves, arguing that the Benettons and Del Vecchios paid too much for companies in a sector about which they know little.

However, the new owners place confidence in the supermarkets' capacity to generate cash. They are likely to entrust the day-to-day management of the retail chain to existing management.

In any case, diversification is not a new experience for either family. Edizione, for example, has managed to keep its subsidiary Benetton Sportsystem – which groups famous marques such as Nordica and Kästle ski equipment, and Prince tennis racquets – more or less distinct from the quoted Benetton Group.

Mr Del Vecchio, meanwhile, has spent part of his personal fortune on a strategic stake in Credito Italiano, the privatised Italian bank – and a seat on the board – and a majority holding in Gelati Sanson, an ice-cream manufacturer.

Both the Benettons and Del Vecchios deny any of these moves indicate a creeping desire to move away from the core quoted businesses.

Indeed, one source close to the Del Vecchio family claims that Mr Del Vecchio has only begun to look at investments outside the Luxottica group "because he's created a company which is self-sufficient".

The full strategy for the new acquisitions will not become clear until they receive regulatory approval. But it is clear that the shopping spree is not a mere whim for the two families, who are used to investing for the long term.

As analysts point out, the families are betting their hard-earned cash on a fragmented retail sector, which has plenty of potential for catching up with more developed markets in Spain and France.

There will only be cause for real concern if they start gambling with minority shareholders' investments too.

Banker calls for further change in German markets

By Andrew Fisher in Frankfurt

Germany's financial markets cannot be called truly international, in spite of the considerable legal and structural improvements made recently, Mr Hans-Georg Engel, head of the foreign bankers' association in Germany, said yesterday.

Mr Engel stressed the need for further action on the regulatory and tax side, as well as changes aimed at making Frankfurt – which dominates the country's securities trading – a more convenient and pleasant place to live in.

While welcoming reforms, such as the outlawing of insider trading and tightening of share disclosure requirements, he said foreign banks sought further changes.

These mainly related to relaxation of rules affecting asset-backed securities, minimum reserve requirements on time deposits, indexation of capital market instruments and accounting treatment of branch offices.

Mr Engel, a director of the German operation of J.P. Morgan, the US investment bank, gave three main reasons why Germany's financial markets still had some way to go to full internationalisation.

- D-Mark euromarket business takes place in Luxembourg, Brussels, Paris and London, rather than Frankfurt.
- Large foreign institutional investors still mainly transact German securities deals in London, although some D-Mark equity and bond business, as well as derivatives trading, has been brought back to Frankfurt via the Ibis electronic system and Deutsche Terminbörse (DTB), the German futures and options exchange.
- London is the investment banking centre of Europe. This was highlighted by the recent move of Deutsche Bank to locate its global investment banking activities there and efforts by other German banks to build up these activities from the UK capital. "This underlines that London is the Mecca of investment banking, at least in Europe," Mr Engel said.

Noting that investment banking had its roots in New York and London, he said foreign banks had achieved over-proportional success in this area in Germany. However, Deutsche Bank's investment banking move to London did not mean foreign banks would start withdrawing from Germany, where the business potential was large.

Germany's standing as a financial centre had benefited from the innovative strength of foreign banks, Mr Engel added. This was evident in their high representation in mergers and acquisition business and the choice of numerous foreign banks to help place shares in Deutsche Telekom next year and to advise the Bonn government on the privatisation.

Earnings slip at Chubb

By Richard Waters in New York

Chubb, the US property/casualty insurer, reported weaker net earnings for the final quarter of 1994 on lower investment gains, though its underwriting performance continued to be ahead of many others in the industry.

The company's after-tax profits for the period were $155.9m, or $1.76 a share, after post-tax investment gains of $11.8m. A year before, net earnings were $160.5m, or $1.80, after gains of $25.4m.

However, Chubb's combined loss ratio (the ratio of underwriting losses and expenses to premiums received) fell to 96.5 per cent, from 99.9 per cent a year ago.

For the year as a whole, the company's combined loss ratio of 99.5 per cent reflected $169m of catastrophe losses. This was equivalent to 4.5 percentage points.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 01.02.95 Pool purchase price £/MWh	Final Prices for Trading on [illegible] Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.20	29.63	30.47
0100	8.70	41.63	42.46
0130	8.75	41.63	42.46
0200	8.75	41.63	42.46
0230	8.70	41.63	42.46
0300	8.70	41.63	42.46
0330	8.70	41.63	42.46
0400	8.66	41.63	42.46
0430	8.20	30.30	31.13
0500	8.11	30.30	31.13
0530	8.65	30.89	31.72
0600	8.20	10.06	10.06
0630	8.20	10.07	10.07
0700	8.97	10.59	10.59
0730	8.22	34.78	35.78
0800	8.51	47.27	49.04
0830	8.90	55.57	58.32
0900	10.28	62.90	66.34
0930	12.17	67.50	72.13
1000	13.69	68.34	73.02
1030	16.47	64.42	68.67
1100	12.82	59.51	63.61
1130	15.91	60.64	65.18
1200	16.19	66.63	71.63
1230	15.24	66.18	70.73
1300	11.12	62.60	66.43
1330	9.96	57.70	60.76
1400	9.70	50.47	52.90
1430	9.27	41.01	43.14
1500	8.90	40.59	42.41
1530	11.76	25.12	25.12
1600	9.86	68.67	75.09
1630	24.63	208.61	241.32
1700	82.69	386.57	440.01
1730	171.82	453.20	500.97
1800	198.83	340.10	378.58
1830	149.94	148.15	166.02
1900	74.10	89.84	97.22
1930	38.23	60.65	65.10
2000	16.36	36.47	37.88
2030	8.90	32.70	33.64
2100	8.24	32.25	33.11
2130	9.04	32.16	32.98
2200	8.82	30.70	31.53
2230	8.60	29.63	30.47
2300	8.20	29.40	30.23
2330	8.10	29.40	30.23
2400	8.10	10.07	10.07

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0116 245 6789 between 8.30am and 5.15pm Monday to Friday.
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International Bank for Reconstruction and Development
ECU 450,000,000
Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 28th April, 1995 has been fixed at 5.50% per annum. The interest accruing for such three month period will be ECU 66.46 per ECU 5,000 Bearer Note, and ECU 1,329.17 per ECU 100,000 Bearer Note, on 28th April, 1995 against presentation of Coupon No. 12.

Union Bank of Switzerland
London Branch Agent Bank
27th January, 1995

ICO
Instituto de Crédito Oficial
Yen 20,000,000,000
Statutorily Guaranteed Floating Rate Notes due 2000

For the interest period from to January 31, 1995 to July 31, 1995 the Notes will carry an interest rate of 4.4% p.a. The coupon amount pertaining to each Note of Yen 100,000,000 for this period will be Yen 2,181,918 and will be payable on July 31, 1995

Listed on the Luxembourg Stock Exchange

The Industrial Bank of Japan, Limited, Tokyo
Agent Bank

PUBLIC POWER CORPORATION
(DIMOSIA EPIHIRISIS ELEKTRISMOU)
¥16,000,000,000 FLOATING RATE NOTES DUE 1998

Referring to the aforesaid Loan Agreement and according to Article 5 (d) of "the Terms and Conditions of the Notes" the Issuer will at the option of the holder of any Note, redeem such Note on the Interest Payment Date on March 29, 1995 at its principal amount. To exercise such option the holders must deposit to any Paying Agent a duly completed redemption notice no more than 60 nor less than 30 days prior to such date.

February 1, 1995
By: Citibank, N.A. (Issuer Services), Agent Bank
CITIBANK

NOTICE TO THE BONDHOLDERS AND WARRANTHOLDERS OF
Uniden Corporation
(the "Company")
Yen 10,000,000,000 5/8 per cent. Convertible Bonds due 1995 (the "Bonds") and Warrants issued with U.S. dollar 100,000,000 1 per cent. Guaranteed Bonds due 1995 (the "Warrants") of the Company

'Merger of Uniden 21 Corporation into Uniden Corporation'

1. PLAN OF THE MERGER

Pursuant to the Board Resolutions and the Merger Agreement of the Company and Uniden 21 Corporation ("Uniden 21") made on 25th November, 1994, Uniden 21 is scheduled to be merged into the Company, whereby any holder of the shares of Uniden 21 on record as at 31st March, 1995 shall be entitled to receive 0.3 shares of the Company and 5 Yen (a dividend equivalent for the year ended 31st March, 1995) for each share of Uniden 21.

2. MERGER SCHEDULE

17th February, 1995:
The date of submission for approval of the merger to the general meetings of shareholders of the Company and Uniden 21.

1st April, 1995:
The date to allocate shares of the Company to Uniden 21 shareholders on record as at 31st March, 1995.

30th June, 1995:
Effective date of the merger (Registration Date)

UNIDEN CORPORATION, TOKYO, JAPAN
By: THE BANK OF TOKYO, LTD.
as Disbursement Agent for the Bonds
By: BANK OF TOKYO TRUST COMPANY
as Disbursement Agent for the Warrants
February 1, 1995

ADVERTISEMENT

NEW DIRECTIONS FOR THE NINETIES

Combining Forces to Grow Globally

Unique concepts, distinctive designs, superior technology and aggressive marketing are proving a winning combination for Mitsubishi Motors Corporation. In spite of Japan's protracted economic recession, the country's third-largest auto company anticipates posting record domestic sales during its current financial year. Mitsubishi Motors President Hirokazu Nakamura wants the same winning formula to be applied to the newest entrant to the European car market.

By Russell McCulloch

Dr. Hirokazu Nakamura, *President, Mitsubishi Motors Corporation*

In Born, southern Holland, final preparations are being made for the start this spring of production at Netherlands Car B.V. (NedCar), a three-way joint-venture comprising the Volvo Car Corporation, the Dutch government and Mitsubishi Motors.

NedCar's factory has been extensively refurbished and re-equipped at a cost equivalent to 3.4 billion Dutch guilders to achieve a vehicle production capacity of 200,000 units annually. The plant will commence operations with the manufacture of a new model passenger car in May—some three months ahead of schedule.

Although the Born facility will give Mitsubishi Motors its first car manufacturing base in Europe, the philosophy behind the establishment of NedCar in 1991 is the same that has driven the Japanese auto company's domestic and international production policy for years. That policy is neatly captured in the Mitsubishi Motors corporate slogan, "Creating Together", which reflects the company's determination to satisfy the diverse needs and demands of customers.

Mitsubishi Motors was established in 1970 when the automotive division of Mitsubishi Heavy Industries (MHI) was spun off and formed into a separate entity. "This makes us one of the *youngest* vehicle manufacturers in the world," quips Mitsubishi Motors President Hirokazu Nakamura. "However, Mitsubishi Motors' automotive tradition dates back to 1917 when the Mitsubishi Model A was produced." Mitsubishi Motors is the only manufacturer in the world offering a complete range of vehicles, from mini cars to large buses and trucks.

"Our membership in the Mitsubishi Group of companies gives us a distinct advantage over our competitors," maintains the company's president. "The common ancestry we share with other Group companies has resulted in a high level of cross-company cooperation."

Gains from Group Cooperation

Creating Together aptly describes the joint-development projects that Mitsubishi Motors undertakes with corporate relatives such as MHI and Mitsubishi Electric Corporation. "Mitsubishi Heavy Industries has extensive experience in aircraft design and manufacture and we have benefited from their knowledge of aerodynamics when designing our vehicles," Dr. Nakamura explains. "We have also worked with Mitsubishi Electric to develop electronic control systems for automotive applications."

In addition, the auto company's access to Group financing and trading expertise in the shape of Mitsubishi Bank and the Mitsubishi Corporation have helped smooth its path abroad.

Playing only a minor role in total operations in the 1960s when Mitsubishi Motors was part of MHI, today offshore manufacturing is a major contributor to the auto company's overall business. During its current financial year ending March 31, 1995, Mitsubishi Motors is expecting to raise the total of its vehicles manufactured outside Japan by 22 per cent year-on-year to over 640,000 units. When exports from the company's Japanese assembly plants are added, the total number of Mitsubishi vehicles sold outside of Japan should reach approximately 1.2 million or around 60 per cent of all units sold.

Be Welcomed by Society

Unlike many of its competitors, however, Mitsubishi Motors seeks out local partners in the countries where it chooses to locate production facilities. "*Be welcomed by society* is also a key business philosophy—which is why we also aim to produce mostly where we sell," Dr. Nakamura explains. "By linking up with a local partner in a joint venture arrangement, we can benefit from their insights into the community's culture and traditions. We might not benefit to the same extent with a simple transplant operation."

Similarly, Mitsubishi Motors' global production policy rests upon the localisation of vehicles to suit the needs of particular consumers in a particular market. "*Creating Together* does not mean we take a vehicle that is available in Japan and make it abroad," the company's president stresses. "Our policy is that we find a partner with whom we develop a vehicle suitable for the market. In the process, we help improve the local automotive industry by introducing our production-engineering efficiency and quality-control expertise, we transfer our technology, and we help create jobs and wealth."

It was this policy of joining forces with a local partner in 1983 that led Mitsubishi Motors, together with the Mitsubishi Corporation, to form a joint venture with Malaysian Government organisations to develop a uniquely Malaysian car, the Proton SAGA. Exports of SAGA cars, and of Proton's new model car called WIRA, have already begun to several countries including the UK. The gradual transfer of Mitsubishi Motors' technology to Malaysia continues smoothly, as evidenced by the fact that Proton has its own R&D Centre and its own casting plant for engine components.

"Our approach to making vehicles to meet diverse needs in diverse societies and automotive cultures is completely different from that of other *world car* producers," Mitsubishi Motors' president maintains. "Mitsubishi vehicles are *local* vehicles built to a quality that is uniformly high no matter where they were produced."

It was this philosophy that led Mitsubishi Motors to seek a production base in Europe for manufacturing vehicles unique to that market and which led in 1991 to the creation of a new force in European vehicle manufacturing: NedCar.

Netherlands Car B.V.—shortened simply to *NedCar*—is the realisation of a dream that began for Mitsubishi Motors over five years ago when the Japanese company was looking to establish a European manufacturing base. "Whenever we invest we adopt a standard set of criteria that examines location, transportation and logistics, the work-force, parts procurement and relations with the local society," Dr. Nakamura recalls. "Our joint venture with Sweden's Volvo and the Dutch State in NedCar meets all these criteria and much more besides."

When Mitsubishi Motors began exploring European production possibilities late last decade, several countries were carefully considered to host the new facilities before the Netherlands was eventually chosen.

"From the point of view of location, Born is near the geographic centre of Europe and within easy distance of reliable suppliers to meet the demanding criteria set by our customers and ourselves," recalls Dr. Nakamura, who was involved with NedCar from the outset.

"Three is Better than Two"

The three partners in NedCar have each brought a valuable strength to the project. For example, Mitsubishi Motors is contributing its latest knowledge in terms of "production engineering" techniques; Volvo is bringing the company's accumulated "safety" knowledge, and the Dutch State represents "trust" for its long-term involvement in local automotive manufacturing.

"The English proverb says *Two is better than one*," notes Dr. Nakamura, "but as we have three partners providing very valuable things to the project, I can proudly say that in NedCar's case, *Three is much better than two*!"

NedCar to Boast 85 Per Cent EU Content

European content in the NedCar's passenger vehicle is expected to average 85 per cent and the creation of the single European market will make cross-border transportation of parts both speedy and easy. Among the around 180 European suppliers to Born will be many from the UK including Dunlop, providing tyres, and Calsonic supplying radiators and cooling systems. Dr. Nakamura points out that high-quality parts will be supplied from makers in Germany, France, Sweden, the UK, as well as in the Netherlands.

Vehicle output from the Born plant will be shared equally between Mitsubishi Motors and Volvo Car. Initial production will be restricted to a Mitsubishi 5-door hatchback that was designed in Japan and Europe using data and research from Mitsubishi Motors' European operations.

CARISMA Created in Europe For Europe's Drivers

"We decided on CARISMA as a pet name for the car produced at NedCar," Dr. Nakamura says. "The CARISMA has a Mitsubishi flavour—with our own distinctive styling—yet the model incorporates features that meet the specific needs of European consumers. In particular, we have paid close attention to driveability and safety." Unlike their counterparts in Japan and North America, European drivers demand vehicles that can be driven at very high speeds over long distances in comfort and in safety. "It is much more important for a vehicle to have good aerodynamic characteristics in Europe than it is in Japan," the Mitsubishi president adds.

Record Domestic Sales Projected

If the Japanese company's present performance in its home market is any measure, creating successful products is something Mitsubishi Motors also excels in. The company's domestic sales were so buoyant last year that sales for the year ending March 31 are projected to rise to 800,000 units—and a new company domestic sales record. This compares with domestic sales of 722,000 units during fiscal 1993.

The company's performance is all the more impressive when viewed against the backdrop of Japan's prolonged economic recession and restrained domestic consumption. New vehicle registrations in Japan fell 7.1 per cent in the 1993 fiscal year to 6.47 million units and a significant recovery during 1994 was not expected.

While many of its competitors are coping with sagging profits and plunging sales, Mitsubishi Motors expects to close the books on its current business year posting unconsolidated sales of ¥2,620 billion (an increase of 6.7 per cent over total fiscal 1993 sales) and a stunning 27.4 per cent jump in its ordinary income to ¥45 billion.

"The good acceptance of our products by Japanese consumers has also allowed us to compensate for a decline in exports," Dr. Nakamura explains. The appreciation of the yen against the US dollar has made exports of vehicles priced in US dollars less attractive for Japanese car makers. "Moreover, sales of 800,000 vehicles in the domestic market will give us a Japanese market share of 12.5 per cent—our highest ever," the company's president added.

Dr. Nakamura believes that maintaining a stable level of production is crucial for his company's future. "Vehicle output from our assembly plants in Japan for domestic sales and for export is hovering around 1.35 million units annually," he notes. "This is a level I would like to maintain for the medium term." With overseas production this fiscal year likely to top 640,000 units, Mitsubishi Motors should achieve a total production in 1994 of around 2 million units.

Stable production is considered important to ensure the company's plants and its network of affiliated component suppliers can maintain levels of operational efficiency and thus slow the *hollowing-out* of the Japanese economy. Many other companies in Japanese industry, in attempting to reduce manufacturing costs to cope with a strong currency and weak economy, have chosen to relocate abroad.

"If we can maintain a vehicle production level of 1.35 million units annually, we can satisfy our domestic requirements from our domestic production bases," Dr. Nakamura believes. "In this way, we can avoid *hollowing-out* and contribute to the Japanese economy."

As the above comment suggests, Mitsubishi Motors' president adopts a cautious approach to the future. Rather than set numerical targets for his company to achieve, he confines himself to a percentage of market penetration.

"By 2000, I would like our domestic market share to grow to 15 per cent from the present level of 12.5 per cent, while at the same time achieving a 5 per cent share of the world market," he says. "If we can secure these shares, currency movements are less of a factor. If the yen grows further in strength all Japanese auto companies will suffer equally, and if the currency weakens—as I believe it will—then all companies can benefit from the positive effects."

Mitsubishi CARISMA, the first vehicle off NedCar's Born assembly line, incorporates Japanese and European technologies

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Director turns down US job, quits Warburg

By John Gapper, Banking Editor

SG Warburg, the UK investment bank, suffered a further blow yesterday when one of the board directors formerly responsible for its bond market operations resigned after rejecting a new post offered to him in the US.

Mr Peter Bass, the former joint head of the fixed interest and treasury division, which was heavily cut back last month after performing poorly, was said to have resigned to return to bond trading, his former area of specialisation at Warburg.

Warburg insisted that the parting was "entirely amicable."

It said that Mr Bass had decided not to take up a senior management post in the US, where he would have worked alongside Mr Tom Wyman, the head of Warburg's US operation.

Mr Wyman said in December that Mr Bass's new role in the US had "not exactly" been decided, although he would be taking a senior post.

Mr Wyman was away from his office in New York yesterday, and could not be contacted for comment.

Warburg said it was "unlikely" that Mr Bass, an American who formerly headed Warburg's US government bond proprietary trading operation in New York, would not have remained on the board of the group in the role he was offered.

The move is a further sign of instability at Warburg, which has been the object of market speculation about a possible takeover following the collapse of merger talks with the US investment bank Morgan Stanley in December.

Warburg cut back bond operations after Mr David Burnett took over as head of the division from Mr Bass and Mr Peter Twachtmann, a board director who had been with Warburg for 26 years, and who resigned when the move was announced.

The investment bank has largely pulled out of the eurobond market, although retaining a presence in sterling bonds, and has also ended market-making in European government bonds, shedding about 180 employees as a result.

There has been speculation that Warburg will have to take steps to strengthen its US operation, although the bank says that it has a strong operation selling European and Asian equities to American investors.

Alliance could help secure £120m refinancing

Wembley discusses rescue package with Pace of US

By Tim Burt

Wembley, the debt-burdened stadium group, is discussing a strategic alliance with Pace Entertainment, the privately owned US sports arena operator, in a move which could help it secure a £120m ($187m) refinancing.

Initial links between the two companies would involve Pace organising events at Wembley stadium and the adjacent conference and exhibition centre, and could lead to the Texas-based company taking a stake in the UK group. Mr Brian Becker, Pace chief executive, is understood to have discussed the venture with Sir Brian Wolfson, Wembley's chairman, in Houston at the weekend and further talks are expected later this month.

Wembley turned to Pace after similar discussions with Allied Entertainment, the promotions company run by Mr Harvey Goldsmith, broke down. An alliance with Pace could strengthen Wembley's hand as it tries to persuade City institutions to back a financial reconstruction involving a £60m debt-for-equity swap and similar-sized rescue rights issue.

By promising more concerts and non-sporting events at Wembley, Pace would boost the UK group's turnover and generate cash for reinvestment in the stadium complex.

Failure to attract such events fuelled a 21 per cent decline in Wembley's turnover last year to £150.5m, while property write-downs led to a near doubling of losses to £65.7m.

Pace saw revenues increase to $136m last year as audience numbers rose 50 per cent to 4m.

Pace is also involved in another refinancing proposal for Wembley being put together by Apollo, the New York-based investment group.

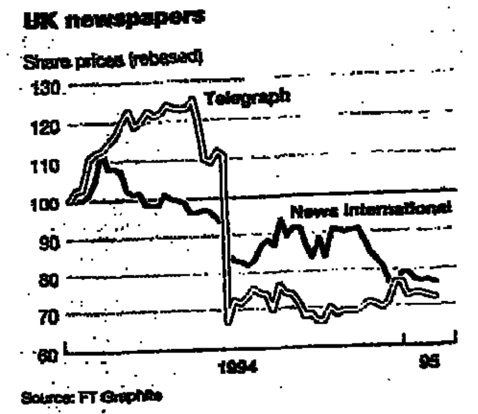
LEX COMMENT

Newspaper pricing

For Mr Rupert Murdoch to attribute a possible end to the UK newspaper price war to rising newsprint costs appears disingenuous. True, newsprint counts for around 20 per cent of newspaper costs and January's 15 per cent rise in newsprint prices would cost News International over £20m a year. But this is a standard cyclical phenomenon and should hardly warrant an abrupt change in strategy.

Newsprint manufacturing profits usually peak at the same time as those of newspaper publishers: rising costs coincide with increasing advertising revenue and higher cover prices. Advertising revenues are forecast to rise by 8 per cent this year. The only marked change in the nature of this latest cycle is reduced cover prices – a factor directly attributable to Mr Murdoch.

However, Mr Murdoch may consider it a convenient time to raise The Sun's cover price. Close to 70 per cent of its revenue is from the cover price, compared with less than half for The Times. And its readership has stabilised at higher levels. Moreover, having raised The Times' advertising rates on the back of readership gains, News International may want to maintain price pressure in the quality market.



Greater hope for the Daily Telegraph and The Independent could come from News International's efforts to reduce distribution costs, which have not fallen with the cover price. Passing on at least some of the cost of the price reductions to distributors would alleviate the pain from the price war. And with marginal improvements in newspaper sales, retailers could afford to carry some of the costs.

Pay increases of up to 20% for Reed Elsevier directors

By William Lewis

Executive directors of Reed Elsevier, the Anglo-Dutch information and publishing group, have received pay rises of up to 20 per cent following the resignation last year of Mr Peter Davis as co-chairman.

The basic salary of Mr John Mellon has increased from £280,000 to £336,000 ($524,000), and Mr Nigel Stapleton's annual basic salary has gone up from £350,000 to £395,000 ($616,000).

Both increases, which took effect from January 1, follow the agreement by the two directors to take on additional responsibilities following the resignation of Mr Davis in June.

Details of the directors' salaries will be given to shareholders in the annual report due in two months' time.

Mr Ian Irvine saw his pay increase by 5.2 per cent to £505,000 ($788,000). Mr Ian Thomas will earn a basic salary of £550,000 this year against £400,000 in 1993 and Mr Robert Krakoff will also receive $550,000 during 1995. Mr Pierre Vinken, who is to retire in May, has had no increase on his basic last year of Fl 738,300 ($427,000).

Directors also received substantial grants of share options in 1994 and, in addition, are eligible for a performance-related bonus scheme which can pay out up to 40 per cent of basic salary.

Non-executive directors of Reed Elsevier are to meet next month to consider cutting the length of the executive directors' service contracts. This follows the pay-out of £2.02m to Mr Davis, who resigned after a dispute over management responsibilities.

The size of Mr Davis's pay-off was partly a result of his three-year rolling contract but at least three executive directors still have three-year contracts.

Mr Krakoff, chairman of Reed Publishing (USA), has a contract which entitles him to a "supplemental retirement benefit" for the rest of his life if his contract is terminated and a separate "separation payment". He also has a "change in control" clause.

Brealey may step down in Titaghur reconstruction

David Blackwell

Titaghur, the owner of six jute mills in Calcutta, is planning a financial reconstruction which could lead to Mr Reg Brealey, its major shareholder, stepping down as chairman.

The accumulated deficit at Titaghur rose to £67.5m ($105.3m) for the year to March 31 1994, according to the annual report.

The group has appointed as its financial adviser English Trust, which sponsored the recent flotation of Mackie, the Northern Ireland based jute machinery manufacturer.

Titaghur's report shows losses rising from £4.3m to £6.3m for 1993-94 as turnover fell from £29.1m to £22.1m. Additional losses of £1.17m (£2.14m) on sales of £12.6m (£15.1m) have been made in the six months to September 30.

The group said it had substantial debts to banks and financial institutions. It has also built up arrears in taxes and pension contributions in India so that it has been "unable to effect the retirement of mill workers at normal retirement age, leading to significant overmanning".

If creditors and shareholders agree to a capital reconstruction and refinancing, the package would be linked to "the appointment of additional experienced management, additional directors and a new chairman". Mr Brealey, who holds 27.4m of the 109.4m shares in issue, is due for re-election as a director at the AGM on February 28.

Only just over a year ago Mr Brealey continued to hold out high hopes for the jute industry. At the annual meeting in London he demonstrated biotechnological uses for jute, and spoke of his ambitions for the Knoydart Peninsula, a Scottish estate acquired by the company in 1993, to be used for youth training.

Reg Brealey: seeking re-election at AGM

But the group urgently needed fresh capital. The company was trying to sell $50m (£32m) of bonds and get a US stock listing. The latest annual report reveals that its attempt to become listed on New York-based Nasdaq failed.

Dietrich solemate sells stake in FII

By Tim Burt

The "grandfather" of the British footwear industry and former shoemaker to royalty and the stars, Mr Monty Sumray, is putting his feet up after 60 years in the industry.

The 76-year-old entrepreneur, who as a teenager made shoes for Queen Mary, yesterday announced plans to sell his stake and step down as chairman of FII Group, the company he founded and turned into Britain's second largest footwear manufacturer.

Widely credited with helping the UK footwear industry survive the challenge from imports, Mr Sumray said it was time to move on. The one-time east London cobbler has agreed to sell his family's 11.7 per cent stake to an investor group led by former executives of Magellan Industries, the lingerie and swimwear company, for £5.54m ($8.64m).

Mr Sumray, who yesterday described winning a large share of the Italian market as one of his proudest achievements, began his career as a runner for Dubarry Shoemakers in London's Bethnal Green. As such, he made regular market runs to buy leather for shoes worn by royalty and screen stars such as Vivien Leigh and Marlene Dietrich.

Within two years he was a director of the company, aged 18. "But the war intervened, and when I got back from Burma Dubarry's had been taken over by H&M Rayne, the society shoemakers," he recalled. Undeterred, he used £750 raised by selling his Dubarry stake to found a series of small shoe companies which, in 1965, were consolidated into Footwear Industry Investments, now FII.

As the main shoe supplier to Marks and Spencer, one of Britain's most successful retailers, the group defied recession and raw material price increases by investing in new technology and cutting costs.

FII yesterday reported pre-tax profits up from £600,000 to £1m, despite seeing turnover fall from £42.2m to £38.9m in the six months to November 30.

Trafalgar 'satisfied' with bid acceptances

By David Wighton

Trafalgar House yesterday announced that its £1.2bn ($1.87bn) offer for Northern Electric had received acceptances representing 4.84 per cent of the shares, an unusually high level for this stage of a bid. It said it was "quietly satisfied" with the response.

The cash offer is worth £10.48 per Northern share, against 970p in the market.

Northern's advisers had been expecting a relatively high take-up because of its large number of private shareholders, some of whom may have thought they had to accept by the first closing date.

The Northern camp will attempt to persuade shareholders to renounce their acceptances. Because its articles of association prevent any single investor holding more than 15 per cent of the shares, acceptances may be lodged with a custodian trustee, which makes withdrawal easier than under the normal procedure.

Whitbread to sell Keg

The Keg chain of restaurants in Australia is being sold by Whitbread, the brewing and leisure group.

The company is in talks with a number of parties.

Mr Michael Johnson, Keg's chief executive, said a review had shown the business did not have the potential to grow to a size that would add value to Whitbread shareholders.

J Finlay shares fall on warning

By Geoff Dyer

Dry weather in Kenya and Bangladesh and falling tea prices prompted James Finlay, the overseas trading and financial services group, to yesterday issue its second profits warning in seven months.

The shares dropped 11 per cent on the announcement to close down 8p at 67p after analysts cut forecasts for full-year pre-tax profits from £12.5m to £7.5m ($12m), against £13.8m in 1993.

The company said, however, that it expected the dividend to be maintained at 4.15p for the year.

The Kenyan tea crop was more than 2m kg lower than last year's 22.3m kg after dry conditions in the second half of the year aggravated the earlier drought. Prices in the last quarter fell by between 10 and 15 per cent, leading to a halving of profits.

Tea prices in Bangladesh were between 17 and 18 per cent lower and the crop, which had been expected to increase, fell by 3 per cent after unexpectedly dry weather in October.

Mr Richard Muir, chairman, said the UK-based tea trading business faced bad debts of £300,000 in eastern Europe, mostly in Poland, which it did not expect to recover and the Mombasa tea trading business had returned a loss.

Top executives quit Shanks & McEwan

By Peggy Hollinger

Four senior executives at Shanks & McEwan's ailing environmental services division are quitting the company, as the UK waste management group seeks to bolster its struggling hazardous waste incineration business.

The future of Rechem, the high temperature incineration business, is increasingly uncertain as the company revealed yesterday that volumes and prices continued to fall.

Rechem has suffered badly from competition at the hands of cement kilns, which burn waste as fuel, and from falling imports of hazardous waste. In November, the company announced Rechem's interim contribution had fallen from £4.6m to £200,000.

The departure of Mr Gavin Gracie, managing director of environmental services, and Mr Alastair Burian, the division's finance director, along with two senior marketing executives, was part of a process of cost reduction. Mr Colin Brown, environmental services operations director, would take over the day to day running of the business and report to Mr Mike Averill, chief executive.

Wickes links with Home Depot

By Tim Burt

Wickes, one of Britain's leading home improvement retailers, yesterday said it had signed an exclusive supplier agreement with Home Depot, the US DIY chain.

The deal, following 18 months of talks, will give Wickes its first foothold in North America by supplying conservatories and outdoor buildings through Home Depot.

Some analysts said the venture could unnerve other UK DIY retailers which have been expecting Home Depot to establish a European presence for some time.

Wickes, however, said the two companies were concentrating solely on maximising sales in the US.

The group's products will be sold initially in 17 Home Depot outlets in Massachusetts, Rhode Island and New Hampshire.

Games Workshop growth

Games Workshop Group, the supplier of futuristic war games, opened five new stores during the half year to the end of November – three in the UK and two in France. More outlets will be opened, both in the UK and in Europe, during the second half.

The company said the launch of a German edition of its White Dwarf magazine "should greatly assist in building the market" in Germany.

US model for staying independent

Nicholas Denton considers the future for Kleinwort Benson

Both Kleinwort Benson and Dresdner Bank, its rumoured suitor, have issued denials that they are in talks regarding a takeover of Kleinwort by the German bank. But the question remains of how long Kleinwort can maintain its independence.

Its critics say it falls between two stools: too big to be a niche operator, too small to aspire to the global stage.

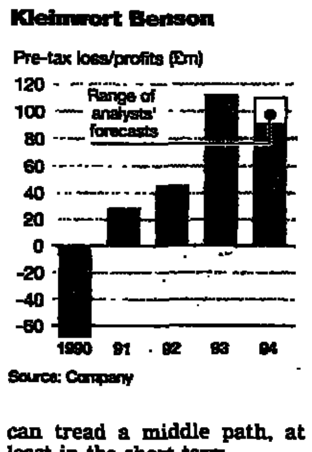
Kleinwort has 3,000 employees and global ambitions. Along with SG Warburg, it is the UK house which has most closely followed the model of large Wall Street houses such as Goldman Sachs and Morgan Stanley.

For example, Kleinwort claims to have been the first UK house to have adopted the US practice of having corporate financiers who specialise in particular industries. "We were very early," says Mr Simon Robertson, deputy chairman. "Everybody says they do it now."

Involvement in UK privatisations also encouraged integration of merchant banking and brokerage operations on the US model. A successful melding of the two businesses is one of Kleinwort's proudest boasts, and competitors concede that it has largely overcome the initial difficulties that followed its acquisition of stockbroker Grieveson Grant in 1984.

However, it lacks the capital and manpower to match US banks in coverage of businesses and countries.

Kleinwort executives admit their independence will become harder to sustain as investment banking becomes more capital-intensive. It is also felt that growing pressure on companies to issue shares in New York might force a change of thinking. But Mr Robertson maintains that it can tread a middle path, at least in the short term.



Lord Rockley: opted for a collective leadership

"With real knowledge and commitment you can go up against the giants," he says.

The argument is that the corporate finance business can prosper without more hefty financial backing. US investment banks use their capital in the bond markets and for proprietary trading. Neither activity is essential to Kleinwort in providing advice to corporate clients and running equity issues for them.

Some at Kleinwort see Warburg's decision largely to pull out of Eurobonds in January as vindication of its strategy. Warburg was a model for some UK investment banks until its latest troubles. Now, says a Kleinwort executive, "Warburg is following down the Kleinwort route".

Underpinning Kleinwort's confidence is a recent record that has won favourable reviews from analysts. "Kleinwort looks to be enjoying a renaissance," says Mr David Poutney of Collins Stewart. Kleinwort reports its 1994 results later this month and analysts' recent estimates of pre-tax profits range from 298m to £105m ($164m).

That level, although below the £111m achieved in 1993, appears robust beside the results of some UK investment banks which have been hard hit by the downturn in world bond and equity markets, notably Warburg.

A string of prominent deals handled by the corporate finance department has boosted the results. Kleinwort advised British Aerospace on the sale of Rover to BMW of Germany, and Commercial Union on its acquisition of Groupe Victoire in France. It is joint adviser to Cadbury-Schweppes on its current agreed bid for Dr Pepper, the US soft drinks company.

International privatisations provide growing revenues. Kleinwort and BZW are advising on the second phase of privatisation of National Power and PowerGen, while Kleinwort is the leading adviser on electricity privatisation worldwide. It is also advising Gazprom, Russia's gas producer, on an international placement of shares.

It is a striking recovery for a company that one employee says "went through Armageddon" five years ago. The demands of privatisation mandates distracted attention from corporate finance services to traditional corporate clients. "We took our eye off the ball," Mr Robertson admits.

The house suffered bad loans, a botched trade of shares in Premier Consolidated Oilfields and the defection of Mr Graham Pimlott, a director in the corporate finance department, to BZW. Competitors tried to lure away Kleinwort's clients.

Weakness of revenues led the house to restrain costs: Kleinwort is the only prominent City bank to have reduced its staff since 1990. Fear of losing corporate clients made it sharpen up its service.

The memories are fresh enough to ward off hubris. Even so, Kleinwort is "enjoying the sunlight a bit", Mr Robertson says.

Those who know Kleinwort put its survival down to its corporate culture. "Kleinwort is a most amazing place: it is incredibly nice, slightly shambolic and terribly resilient," says one former executive.

Its very niceness, while a source of strength, has also inhibited a clear decision on the management of the company. Observers attribute Kleinwort's failure in 1993 to appoint a chief executive to succeed Mr Jonathan Agnew to its reluctance to offend the potential candidates. Lord Rockley opted for a collective leadership with an important role played by Mr Robertson as deputy chairman.

Ambiguity over strategy attracts the same criticism: while the bank has stated its intention to remain independent, an internal memorandum to directors last week made it clear that no option was being ruled out. At least healthy results this month will allow Kleinwort, in the words of Lord Rockley's memo, to deal with any overtures from "a position of strength".

Wellcome woos its international rivals

By Daniel Green

Sandoz, the Swiss pharmaceuticals company, has privately acknowledged that merchant bankers have approached it as a possible new bidder for Wellcome, the UK company that is the subject of a hostile £9bn-plus ($14bn) bid from UK rival Glaxo.

Sandoz is one of several companies being approached by Wellcome directors or their representatives.

Wellcome said yesterday that its directors and advisers were "travelling extensively" in the search for another bidder, but gave no details.

Several companies in Europe and the US have been suggested as possible suitors for Wellcome, which last week put itself up for sale following the Glaxo offer.

Sandoz was not high on that list because only eight months ago it paid $3.7bn for Gerber, the US baby food maker, and another big buy might be difficult to cope with.

The other big Swiss drugs companies, Roche and Ciba, would not comment yesterday on the possibility of making an offer. Each, like Sandoz, made multi-billion dollar US pharmaceuticals or biotechnology acquisitions last year.

Several other companies played down the likelihood of their entering an auction for Wellcome.

Neither Bayer nor Hoechst, German companies in both chemicals and pharmaceuticals, have had any talks with Wellcome employees on a possible bid. They said that although their directors had said they wanted to make acquisitions, Wellcome did not fit the strategy.

The third German company, BASF, is interested in making pharmaceuticals acquisitions irrespective of location, but was still digesting the £850m purchase in November of the drugs operations of Boots, the UK retailer.

Merck, the world's biggest drugs company, would not comment on the possibility of trying to buy Wellcome. It has not made any large acquisitions since 1993.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Adscene	6 mths to Nov 26	11.5	(7.47)	2.12	(1.42)	8.55	(6.15)	3	Apr 6	2.5	-	6.5
AromaScan §	6 mths to Oct 31	0.062	(0.07‡)	0.819L	(0.004)	4.04L	(1.29)	-	-	-	-	-
BCE §	6 mths to Sept 20	1.76	(1.82)	0.16L	(0.16L)	0.4L	(0.58L)	-	-	-	-	-
Badgers	28 weeks to Nov 13	150.2	(151.8)	0.881♠	(3.05)	0.4	(1.5)	0.3	Apr 13	0.3	-	1
Excalibur	6 mths to Oct 31	29.8	(27.4)	1.03	(1.03)	1.2	(1.5)	0.3†	May 2	0.25	-	0.65
FII	6 mths to Nov 30	38.8	(42.2)	1♥	(0.551♥)	4.4	(2.2)	8	May 5	6	-	14.75
Farepak	6 mths to Oct 31	8.04	(8.08)	1.13L	(1.53L)	-	(-)	2.15	Mar 7	1.85	-	8.6
Games Workshop	6 mths to Nov 27	14.9	(10.6)	2.47	(1.93)	5.5	(4.4)	1.5	Apr 28	-	-	-
Gardiner	Yr to Oct 31	80.5	(78.6)	3.51	(4.02)	2.17	(2.23)	0.55	Apr 13	0.5	0.8	0.73
Kingsley Forrester	6 mths to Sept 30	26.64	(23.28)	0.26	(0.16L)	0.46	(0.42L)	-	-	-	-	-
Power Corp	6 mths to Sept 30	7.74₤	(7.13)	5.63L	(4.47L)	4.85L	(3.84L)	-	-	-	-	-
Union Square	6 mths to Sept 30	2.44	(0.957)	1.65大	(0.073)	0.86	(0.04)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Edinburgh Small	6 mths to Dec 31	94.1	(102.9★)	0.04	(0.211)	0.06	(0.42)	-	-	-	-	0.21
Fleming American	Yr to Dec 31	299.78	(326.7)	1.95	(1.21)	2.93	(1.83)	1.3	Apr 7	0.65	1.7	1.5
Ivory & Sime Isis	Yr to Dec 31	109.7	(125.6)	0.63	(0.3)	27.2§§	(12.7)	5.5§§♦	Feb 28	6	22	11

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ♠After £1m loss provision. ♥After exceptional £500,000 (£1.1m). ★At June 30. ‡8 months to April 30. 大After £840,000 exceptional credit (£391,000 charge). ₤Irish currency. §§Per convertible annuity share. ♦Fourth interim.

صكذا من الاصل

COMMODITIES AND AGRICULTURE

Cotton prices expected to reach 11-year high

By Alison Maitland

Cotton prices this season are expected to average their highest level for 11 years because of a production shortfall, a sharp increase in imports and shrinking world stocks.

The International Cotton Advisory Committee, a Washington-based association of 42 producing and consuming countries, estimated world prices would average 88 cents a pound between August 1994 and July 1995, rising to 90 cents next season.

The Cotlook "A" index, the industry benchmark, reached 98.8 cents a pound yesterday, compared with 58 cents three years ago.

It last broke through $1 in September 1980, "and could go that high again", said Mr Terry Townsend, statistician to the ICAC secretariat.

Production is estimated at 18.5m tonnes this season, well up on last year's 16.8m tonnes but still depressed by leaf curl virus damage to crops in India and Pakistan and to problems with the boll-worm pest in China.

Output in Uzbekistan, another of the world's five biggest cotton producers, has fallen due to environmental degradation and economic difficulties, said Mr Townsend.

These problems mean China is expected to import 600,000 tonnes of cotton this season – or 10 per cent of world exports – to make up its domestic shortfall.

Three years ago China was a net exporter. Mr Townsend said the shift in China's trade accounted for up to half of the 70 per cent increase in world prices in the past three years.

Further import demand has come from Pakistan and India, which are expected to buy 200,000 tonnes and 100,000 tonnes this season respectively.

The ICAC puts consumption this year at 18.9m tonnes. Stocks are estimated to fall to 6.8m tonnes from 6.9m tonnes the previous year. "This is tight by historical standards," said Mr Townsend.

The committee expects production to rise to 19.3m tonnes next year but puts consumption higher too, at about the same level as output, as world economic growth remains strong. This will maintain the pressure on stocks, while an expected 10 per cent drop in Chinese production to about 4m tonnes could keep imports high.

Falklands oil search sparks war of words

David Pilling and Stephen Fidler on a fresh battle between the UK and Argentina

Searching for oil is hard enough at the best of times, but when the potential find is in disputed waters, in this case around the Falkland Islands, the process becomes harder still.

It is with this in mind that "informal talks" start today in Buenos Aires between representatives of Argentina and the UK that are aimed, says a British official, at finding a "basis for an agreement between the two countries and the Falkland Islands government on co-operation in the exploration and exploitation of oil".

Excitement has been generated by seismic tests conducted by two private companies in 1992 which show the possibility of finding oil and natural gas in a zone bigger than the North Sea. However, although the Falklanders last year agreed to go ahead with an exploration licensing round, the initial survey of waters extending 200 nautical miles from the islands are far from conclusive.

Two high-level meetings have already been held between Argentina, Britain and the islanders, but the parties remain far apart. Argentina, whose constitution enshrines its claim over the islands despite its defeat by Britain in the 1982 Falklands war, believes that a non-renewable resource cannot be exploited unilaterally while sovereignty remains in dispute.

Buenos Aires has suggested that the UK and Argentina put aside sovereignty issues and instead jointly administer the oil basin and split any royalties. The British have rejected the proposal, saying the Argentines have no right to revenue-sharing other than through the participation of private local companies.

In practice, however, both sides know that effective exploitation of any oil would be difficult without Argentine co-operation. Logic dictates that oil and gas would be pumped ashore to the Latin American mainland for refining, particularly as the environmentally conscious Falklanders have rejected the idea of any onshore activity.

Argentine officials say they would not "watch from the balcony" while oil was exploited, but would seek to disrupt the process by legal and diplomatic means, for instance by persuading Brazil and Uruguay not to allow hydrocarbons to be pumped to their shores. Companies that took part could be excluded from operating in Argentina.

Private companies may be reluctant to invest in disputed territory in the absence of a political framework. British Gas, which has held exploratory joint-venture talks with YPF, Argentina's biggest oil company, has said it would not consider pursuing exploration before a solid political solution, involving Argentina, were reached.

The islanders, whose constitution forbids Argentines setting foot on their territory, see themselves caught in the middle. "The oil belongs to the Falkland Islands. It isn't up to the British and Argentines to agree anything," says Mr Andrew Gurr, chief executive officer of the Falkland Islands government.

However, partly under British pressure, Falklanders have agreed a 10-point plan which allows for the participation of Argentine companies in exploration and exploitation, providing they are minority partners in a joint venture.

"We would much prefer them (Argentina) to be in favour than against… What I would like to see is Argentine companies playing a part. I think that would be quite healthy," says Mr Gurr.

Although there is still no proof that there are hydrocarbons deposits worth exploiting, some evidence points to the possibility of an important find.

Mr Nigel Fannin, of the British Geological Survey, which is acting for the Falklands government, says modest oil discoveries in neighbouring Argentine waters indicate that the main reservoir could be around the islands. The areas of main interest are believed to be north and south-to-south-east of the Falklands.

There is a precedent for Argentine-British co-operation in Falklands-related matters. The countries have reached an accord on fishing the lucrative squid in waters around the islands. But officials from both sides say that oil has greater implications for future sovereignty claims.

Today's talks are likely to be complicated still further by the fact that Argentine presidential elections are due within four months. The campaigning mood in Buenos Aires has already produced tougher talk on Falklands affairs, including a suggestion – later played down – by Mr Guido Di Tella, the foreign minister, that naval clashes in disputed waters could not be ruled out.

Mr Gurr says the islanders "are not prepared to allow their (Argentine) prevarication… to delay the process". The Falklands intends to press ahead with the licensing round, in which exploration blocs will be auctioned off with or without Argentine agreement.

He admits, however, that a "maze" of legislation means the round is unlikely to be declared before the end of the year. Privately, officials say this implicit deadline for an agreement with Argentina could slip still further.

Board to consider rival palm oil futures contract

By Laurie Morse in Chicago

The Chicago Board of Trade, stung by the failure of its four-month-old FOSFA international edible oil futures contract, may launch a palm oil futures contract in an alternative bid to attract oil traders.

Veteran board insiders, however, say there is only a small chance the contract will get beyond the discussion stage.

"The [international] palm oil traders didn't use our FOSFA contract," said one Chicago research analyst. "I don't see them going for a palm oil contract in Chicago. All of the production and most of the demand for palm oil is in Asia."

Other traders noted that the success and liquidity of the board's domestic soyabean oil futures makes it difficult for any new vegetable oil futures contract to get a foothold.

Last year, as world vegetable oil markets reacted to large Chinese imports and a concurrent drop in Malaysian palm oil production, CBOT soyaoil futures volume soared. World oil traders chose to use the established soyaoil futures market, a board spokeswoman said, even though its price correlation to palm oil was poor, compared with the FOSFA international oils contract.

Palm oil presents an attractive opportunity to any exchange because it is the world's most actively traded vegetable oil. Oil World, a respected industry publication, estimates that palm oil exports will comprise 38.4 per cent, or 10.2m tonnes, of world vegetable oil exports this year. In contrast, soyaoil will comprise only 17.6 per cent.

The board briefly considered trading palm oil futures in conjunction with the Kuala Lumpur Commodity Exchange, which has a small but growing contract denominated in local currency.

Metals guide stays afloat

By Kenneth Gooding, Mining Correspondent

The UK-based World Bureau of Metal Statistics has ensured that one of the metal industry's most important statistical publications, Metallstatistik, will continue into its second century.

Metallstatistik, a compendium of annual non-ferrous metal statistics, was launched in 1893 by Mr Wilhelm Merton, the founder of Metallgesellschaft, the German metals group, and has been published annually since except for some gaps during the war years.

The publication, until recently given away free by MG, was threatened by the financial collapse of the group when the World Bureau stepped in to save it.

Metallstatistik 81st edition, £250 (US$500) from the World Bureau of Metal Statistics, 27a High Street, Ware, Herts SG12 9BA, UK.

MARKET REPORT

Pressure on gold support

Technical support for the GOLD price at US$374-$375 a troy ounce was under pressure yesterday but held. The precious metal closed in London at $374.70, down only 90 cents an ounce. Dealers estimated the next support level would be at $371-$372. "I'd be very unhappy if it went under that. It could go to $340," one dealer said.

Base metals had a choppy and mixed day on the London Metal Exchange as traders tried to gauge which way the market is most likely to turn. "The market can't determine which way prices are going to go next. It's a battle between bulls and bears," one trader said.

COPPER ended the day just off the lows after an earlier attempt to break back above $3,000 a tonne failed. Three-month copper closed in London up $1.50 a tonne at $2,970.50.

"Copper is bruised by this dip below $3,000. It's not on its knees but certainly against the ropes," another trader said.

Compiled from Reuters

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-12,900	to 1,578,675
Aluminium alloy	+300	to 31,200
Copper	-425	to 309,700
Lead	-1,250	to 328,750
Nickel	-824	to 140,652
Zinc	-10,900	to 1,166,350
Tin	-180	to 27,530

Foreign funds to lift Cuban sugar

By Pascal Fletcher in Havana

Injections of foreign capital should lift Cuba's sugar production back above 4m tonnes during the next two years, said Mr Peter Baron, executive director of the International Sugar Organisation.

Cuban raws output, however, was unlikely to return in the short term to the high levels of the 1980s, he said.

Speaking last week at the end of a visit to Cuba, Mr Baron said recent Cuban initiatives to obtain foreign financing for sugar production, especially to guarantee essential harvest inputs, had been successful.

Leading European sugar trade houses and banks, including British firms Tate and Lyle and E.D.&F. Man Sugar, are known to have held talks with the Cubans about contracts to finance raw sugar production.

Industry sources said several such contracts were believed to be already in place. Some involved the Dutch ING Bank and its Curacao-based subsidiary Netherlands Caribbean Bank, which has a representative office in Havana.

The contracts, directed to specific provinces, guarantee supplies of herbicides and pesticides and other inputs that would directly benefit next year's harvest. The foreign institutions supplying the finance will be paid in either cash or raw sugar.

Mr Baron said the external financing might make possible an immediate improvement in the 1995-96 season. "I would not be surprised if in two years they are back to 4.5m tonnes," he said.

While he believed Cuba's sugar production could climb back to around 5.5m tonnes, he did not expect it to return to the 1980s harvest levels of about 7m-8m tonnes.

Mr Baron said the ISO was forecasting the current 1994-95 Cuban harvest to produce "maybe a little bit below" 4m tonnes, based on the government's forecast and other estimates.

Cuba's sugar production has fallen by half since the breakup of the former Soviet Union, its main sugar market, reaching a low of 4m tonnes in the 1993-94 season.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2100-1	2142-3
Previous	2079-80	2121-3
High/low		2159/2135
AM Official	2113-4	2153.5-4.5
Kerb close		2144-5
Open int.	228,440	
Total daily turnover	77,307	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	2000-10	2045-55
Previous	1990-2000	2030-40
High/low		2060/2050
AM Official	2005-15	2050-60
Kerb close		2045-55
Open int.	2,713	
Total daily turnover	410	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	654.5-5.5	672-3
Previous	658-9	675.5-6
High/low	661/660.5	683/663
AM Official	660-0.5	677-8
Kerb close		661-2
Open int.	39,509	
Total daily turnover	8,189	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	9895-905	10065-70
Previous	9890-900	10065-70
High/low		10220/10025
AM Official	10005-15	10170-80
Kerb close		10040-5
Open int.	57,790	
Total daily turnover	15,889	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6170-80	6270-5
Previous	6190-200	6293-5
High/low	6260	6390/6275
AM Official	6255-60	6350-5
Kerb close	-	6230-5
Open int.	22,473	
Total daily turnover	3,858	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1134-5	1162-3
Previous	1129-30	1157-8
High/low		1170/1156
AM Official	1139.5-40	1167.5-8
Kerb close		1156-7
Open int.	101,505	
Total daily turnover	21,456	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2977-8	2970-1
Previous	2979-81	2968-70
High/low	2998/2996	2995/2965
AM Official	2987.5-8	2987-8
Kerb close		2966-7
Open int.	234,991	
Total daily turnover	54,531	

■ LME AM Official £/$ rate: 1.5992
LME Closing £/$ rate: 1.5815

Spot:1.5825 3 mths:1.5811 6 mths:1.5797 9 mths:1.5778

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Feb	137.80	-1.25	138.10	137.80	1,588	299
Mar	136.30	-1.30	139.35	135.80	29,762	7,197
Apr	135.15	-1.20	137.30	135.50	1,025	1
May	133.45	-1.00	135.75	132.70	6,370	406
Jun	131.85	-0.95	-	-	597	4
Jul	129.75	-0.95	132.20	129.80	4,267	58
Total					62,888	8,252

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	374.50-374.90	
Opening	375.50-375.90	
Morning fix	375.85	235.879
Afternoon fix	374.90	235.342
Day's High	376.10-376.40	
Day's Low	374.10-374.40	
Previous close	[illegible]	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.40	6 months	5.48
2 months	4.55	12 months	6.00
3 months	4.95		

Silver Fix	p/troy oz.	US cts equiv.
Spot	294.70	466.75
3 months	299.00	476.60
6 months	304.25	484.05
1 year	316.35	502.15

Gold Coins	$ price	£ equiv.
Krugerrand	376-379	236-239
Maple Leaf	385.45-387.85	-
New Sovereign	87-90	54-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	[illegible]					
Mar	[illegible]					
Apr	[illegible]					
Jun	[illegible]					
Aug	[illegible]					
Oct	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	[illegible]					
Jul	[illegible]					
Oct	[illegible]					
Jan	[illegible]					
Total	[illegible]					

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]					
Jun	[illegible]					
Sep	[illegible]					
Dec	[illegible]					
Total	[illegible]					

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	[illegible]					
Mar	[illegible]					
May	[illegible]					
Jul	[illegible]					
Sep	[illegible]					
Dec	[illegible]					
Total	[illegible]					

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[illegible]					
Apr	[illegible]					
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Total	[illegible]					

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[illegible]					
Apr	[illegible]					
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Total	[illegible]					

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	[illegible]					
Mar	[illegible]					
Apr	[illegible]					
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Total	[illegible]					

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	[illegible]					
Mar	[illegible]					
Apr	[illegible]					
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Total	[illegible]					

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[illegible]					
Apr	[illegible]					
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Total	[illegible]					

■ UNLEADED GASOLINE
NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	[illegible]					
Mar	[illegible]					
Apr	[illegible]					
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Total	[illegible]					

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne) [illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

Minor Metals
[illegible]

SOFTS

■ COCOA LCE (£/tonne) [illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100) [illegible]

■ CRB Futures (Base: 1967=100) [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) [illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
2050	[illegible]			
2100	[illegible]			
2150	[illegible]			
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2850	176	157	51	109
2900	144	132	69	126
2950	117	110	91	153
■ COFFEE LCE	Mar	May	Mar	May
2700	73	153	65	201
2750	54	135	113	233
2800	38	120	147	266
■ COCOA LCE	Mar	May	Mar	May
975	40	67	8	32
1000	24	53	17	44
1025	13	42	31	58
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1600	83	105	29	65
1650	51	82	53	92
1700	32	63	82	123

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$15.95-6.05t	+0.05
Brent Blend (dated)	$16.82-6.84	+0.17
Brent Blend (Mar)	$16.57-6.59	+0.09
W.T.I. (1pm est)	$18.12-8.14t	+0.07

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$158-160	-2.0
Gas Oil	$145-147	-0.5
Heavy Fuel Oil	$96-98	+1.0
Naphtha	$162-164	
Jet fuel	$161-163	+0.5
Diesel	$148-150	-1.0

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

Gold (per troy oz)♣	$374.70	-0.90
Silver (per troy oz)♣	463.50c	-7.00
Platinum (per troy oz.)	$415.35	+2.25
Palladium (per troy oz.)	$157.00	+0.25
Copper (US prod.)	144.0c	-1.0
Lead (US prod.)	42.25c	
Tin (Kuala Lumpur)	N/A	
Tin (New York)	288.5c	-2.0
Cattle (live weight)†	119.80p	-0.09*
Sheep (live weight)†♠	118.85p	+0.26*
Pigs (live weight)	85.75p	+2.54*
Lon. day sugar (raw)	$351.80	-1.10
Lon. day sugar (wte)	$403.50	-0.40
Tate & Lyle export	£395.00	-1.00
Barley (Eng. feed)	£110.75	+0.25
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Mar)♥	119.5p	
Rubber (Apr)♥	120.0p	
Rubber (KL RSS No1)u	449.5m	-1.0
Coconut Oil (Phil)§	$610.0y	-5.0
Palm Oil (Malay.)§	$640.0u	-2.5
Copra (Phil)§	$396.0y	+3.0
Soyabeans (US)	£164.0q	-2.0
Cotton Outlook'A' Index	98.80c	
Wooltops (64s Super)	512p	

[illegible]

JOTTER PAD

CROSSWORD

No.8,675 Set by FETTLER

ACROSS
1 Screw is responsible for prisoner with injury (7)
5 Aim of high flier? To catch with facility, we hear (7)
9 Dance, as in 1 across (5)
10 Meaning to affirm before getting old (9)
11 A change of end meant maiden over (9)
12 By edge of road, shower is collected herein (5)
13 Dispatch amphetamine (5)
15 Pickles sport a new side salad (9)
18 Stopped? No! Simply put off for a while (9)
19 Twig? There's at least one attached to the palm (5)
21 What, after a short time, wild mare became (5)
23 Broadmoor is crazy place for decisions (9)
25 Bird-brained? (3-6)
26 See one go about an ice-house (5)
27 UN agree collectively to apostasise (7)
28 Get European Red Cross to cleanse a wound (7)

DOWN
1 Silly fool, following exotic cult involved in sword play (7)
2 Row? Without being silent? (9)
3 Defeated right away and thus ejected (5)
4 Wind (southerly) chaps hands that are skilled (9)
5 Negotiate for free entertainment (5)
6 Left to develop on a bed and.... (9)
7 .... little by little one gets heather (5)
8 Number seeing novel machines (7)
14 Going away with French leave (9)
16 How Lady Macbeth was caught (9)
17 Deity returns to grasp his servant's distinctive apparel (3-6)
18 A vessel – one tossing across the Atlantic (7)
20 In the time of Rome, Peter converted without hesitation (7)
22 Operatically, she married in due course (5)
23 Half naked before the swim (5)
24 Wander without aim from beginning of day break (5)

Solution 8,674

C	O	M	P	O	S	I	T	E		M	I	S	E	R
L		I		V		N		X		A		O		E
A	N	N	I	E		V	I	T	R	I	O	L	I	C
M		N		R		A		I		L		I		O
P	R	E	V	A	I	L	I	N	G		E	D	A	M
		S		N		I		C		U				M
F	L	O	O	D	E	D		T	O	P	S	I	D	E
I		T		O						T		N		N
T	R	A	D	U	C	E		S	P	O	T	T	E	D
T				T		C		C		N		R		
I	R	O	N		C	H	R	O	N	O	L	O	G	Y
N		U		S		I		U		G		Y		O
G	U	N	P	O	W	D	E	R		O	N	E	N	D
L		C		L		N		G		O		R		E
Y	I	E	L	D		A	N	E	C	D	O	T	A	L

INTERNATIONAL CAPITAL MARKETS

US Treasuries mixed as FOMC meets

By Lisa Bransten in New York and Graham Bowley in London

US Treasury prices were mixed yesterday morning as the market awaited news about monetary policy, digested mixed economic news and worried about the financial crisis in Mexico.

At midday, the benchmark 30-year Treasury was up 3/8 at 97 3/4 to yield 7.725 per cent. At the short end of the market, the two-year note fell 1/4 to 100 1/4, yielding 7.295 per cent.

Market activity was hesitant as the Federal Reserve's Open Market Committee began its two-day meeting in Washington. Wall Street expects the Fed to raise interest rates by 50 basis points at the meeting, and there is general optimism that inflation will be held in check.

Holding back the market through much of the morning was uncertainty about an aid package for Mexico. Bonds were mostly flat as reports emerged that President Bill Clinton would abandon the package due to a lack of Congressional support.

Later, however, the 30-year bond edged up after the president announced a $47.5bn package from the US exchange stabilisation fund, the International Monetary Fund and the Bank for International Settlements that could be enacted without a Congressional vote.

Also boosting the long bond were comments from Mr Alan Greenspan, the Fed chairman, who said the Mexican crisis would not affect US monetary policy.

Economic news was mixed for the market. The Commerce Department reported labour costs rose by only 3 per cent in 1994, despite shrinking unemployment.

Two surveys, however, indicated that the high level of consumer and business activity would continue. The Purchasing Managers' Association of Chicago reported that January business activity in that region declined modestly from December but remained strong, and the Conference Board said consumer confidence was also down slightly but still high.

GOVERNMENT BONDS

■ European government bond markets moved slightly higher driven by the better tone to US Treasuries.

Events in the US dominated European markets throughout the day, with prices moving in narrow trading ranges as dealers waited for news from the US FOMC meeting and announcements on Mexico.

Trading activity was also subdued ahead of Germany's Bundesbank meeting and the meeting between the UK Treasury and Bank of England, both tomorrow.

"Until European markets receive information on these events they will have no momentum of their own and will tend to follow the US," said Mr Graham McDevitt of Paribas Capital Markets.

Most of Europe moved down in early trading on the back of uncertainty over Mexico but rose in line with US Treasuries after President Clinton's statement.

■ German government bond futures on Liffe settled about 0.11 higher at 90.43.

Most other European markets outperformed bunds due to the relative weakness of the D-Mark on the foreign exchanges, dealers said.

The yield spread on 10-year UK government bonds over bunds narrowed to around 130 basis points from 134 basis points at Monday's close.

The Spanish government bond market moved higher, after falling in early trading ahead of the auction of three and 10-year Treasury notes and bills.

Danish government bonds rallied after weaker than expected third-quarter gross domestic product figures. The yield spread on Danish bonds over bunds narrowed from 158 to 154 basis points.

Israel given investment grade debt ratings

By Julian Ozanne in Jerusalem

Israel yesterday received its first official long-term currency debt ratings, paving the way for the government to issue its first tradeable bonds on international capital markets later this year.

Standard & Poor's and Moody's Investors Service, the two leading US-based international rating agencies, gave Israel similar investment grades. S&P affirmed a previous implied or indicative rating of BBB plus while Moody's rated the Jewish state at an equivalent Baa1.

The grades place Israel on a similar footing to Chile and the Czech Republic but above Hungary and South Africa.

Treasury officials said they hoped to get a rating one notch higher at A minus, which would have meant Israel would pay 10 basis points less in interest on bonds issued abroad. But they said the BBB plus rating had been influenced by Israel's high public debt burden, which S&P estimated at 121 per cent of GDP in 1995.

S&P said the rating outlook was stable in the medium-term and that its rating had also taken into account the political controversy over the Bank of Israel's tight monetary policy to curb inflation of 14.5 per cent last year.

Mr David Brodet, Treasury director-general, said the ratings would allow Israel to begin raising funds on international money markets and increase the sources of foreign currency available to the economy.

Israel is expected to raise $100m to $200m from an international bond offering later this year.

Ground-breaking $40m facility for Senegalese group

By Graham Bowley

Further evidence of western banks' willingness to lend beyond their western corporate base emerged yesterday with the signing of the first syndicated loan by a Senegalese company.

Société Nationale de Commercialisation des Oleagineux du Sénégal, or Sonacos, the world's largest exporter of groundnut oil, signed a $40m six-month trade-financing loan in a ground-breaking deal arranged by Citibank.

SYNDICATED LOANS

Citibank said that Sonacos is the first Senegalese company to access the international capital markets and that other West African companies, whose exports have been boosted by the devaluation of the French African franc (CFA) against the French franc, should follow soon.

The loan, which will be used to fund exports of groundnut oil principally to European buyers, carries an interest rate of 150 basis points over the London interbank offered rate.

Mr Gabriel Fal, vice-president at Citibank in charge of Francophone Africa, said that Sonacos was attracted to the international loans market by the fine pricing currently being offered by banks. Intense competition between asset-hungry banks has driven pricing spreads down dramatically over the last 18 months.

"This is a good price compared with what the company can raise domestically. Pricing is the reason [Sonacos] came to the international market," said Mr Fal.

He said that companies from the Ivory Coast, Gabon and Guinea are currently seeking finance for the expansion of their export activities. "They will be coming to the market soon," he said.

Nine banks participated in the loan, including the African Export-Import Bank, the Cairo-based subsidiary of the African Development Bank.

Citibank said this is the first loan in which the bank has participated and that it will provide 15 per cent of the facility.

The deal comes as other emerging market entities are turning to the loans market and is a sign that, while some countries such as Mexico may be out of favour with bond market investors, banks are still willing to lend to emerging markets.

Turkey is currently seeking to return to international capital markets with a planned syndicated loan believed to be around $500m. It is believed that Turkey aims to raise $2bn of foreign debt during 1995.

Elsewhere in the syndicated loans market, Cadbury Schweppes is reported to have secured a $2.4bn loan facility from Midland Bank and Toronto-Dominion Bank for its acquisition of Dr Pepper/7-Up.

The two banks are fully underwriting the loan, with each taking $1.2bn.

Kvaerner, the Norwegian shipbuilding and engineering group, is also reported to have completed its $500m seven-year syndicated loan via Chemical, Dresdner, Enskilda and Swiss Bank Corporation.

The deal is reported to have pricing of 25 basis points over Libor for the first five years and 30 basis points over for the last two years.

Tokyo to end euroyen bond lock-up rule

By Martin Brice

Japan is to abolish the lock-up rule on yen eurobonds issued by foreigners from the end of March.

The move comes as a result of an agreement with the US in early January on liberalisation of Japanese financial markets.

It is likely to lead to increased issues by foreigners of yen bonds aimed at Japanese investors. Currently, only sovereign and supranational issues have no lock-up period.

However, Mr Denis Kelleher, of Daiwa in London, said allowing bonds from foreign corporate issuers to be bought by Japanese investors may not have an immediate impact.

"There are currently very few arbitrage opportunities to issue in yen and go into other currencies," he said.

GECC raises FFr1.5bn over eight years

By Martin Brice

Attention in the eurobond markets switched to the lira and French franc yesterday while the Federal Open Market Committee met in the US.

The largest deal of the day came from GECC, which raised FFr1.5bn with an eight-year bond carrying a coupon of 8 1/8 per cent brought through Paribas Capital Markets.

INTERNATIONAL BONDS

Paribas said the day had offered a good arbitrage opportunity in the eight-year maturity. Demand came from inside and outside France.

Helaba Finance brought a zero-coupon FFr980m deal priced at 74.012 via CDC, which said the bonds offered a yield of 7.7 per cent.

Demand came from French institutions and retail investors in Switzerland and the Benelux region.

The Republic of Austria brought a zero-coupon L200bn three-year issue, using Credito Italiano for the first time.

Mr Nicolo Nuti, head of capital markets at Credito Italiano, said a delay to issues of zero-coupon bonds from the Italian treasury had created a market for such bonds. The AAA rated deal was priced at 74.495 and, less full fees, offered a yield of 11 per cent, he said.

Demand came mostly from Italy, with some sales into Austria, Switzerland and the UK. Mr Nuti said Credito Italiano handled 33 lira issues last year and "this has been one of the best deals I have worked on".

Banque National de Paris raised L150bn in a two-year deal carrying an 11 per cent coupon via San Paolo, which is rated AA minus.

There was also an unusually-structured £50m 30-year offering via BZW for Northern Counties Housing Association targeted at the UK domestic market.

The AAA rated bond is guaranteed by Financial Security Assurance (UK), a subsidiary of the US monoline insurer. The issue is believed to be the first single-name enhanced credit deal for a UK housing association.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
FRENCH FRANCS							
GECC	1.5bn	8.125	99.72R	Feb.2003	0.30R	+17(a)	Banque Paribas
Helaba Finance	980	zero	74.012R	Mar.1999	0.1675R	+8(b)	CDC
ITALIAN LIRE							
Republic of Austria	200bn	zero	74.495	Mar.1998	1.375	-	Credito Italiano
Banque National de Paris	150bn	11.00	101.075	Mar.1997	1.125	-	San Paolo
LUXEMBOURG FRANCS							
Cerabank Luxembourg(c)	2bn	7.875	102.15	Feb.2000	1.75	-	Cerabank Luxembourg

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. R: fixed re-offer price; fees shown at re-offer level. a) Over interpolated yield. b) Over Apr.99 strips. c) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	91.4800	-1.370	10.42	10.52	10.15
Austria		7.500	01/05	98.7200	-0.430	7.69	7.73	7.66
Belgium		7.750	10/04	96.1400	+0.080	8.34	8.45	8.40
Canada *		9.000	12/04	98.0600	-	9.30	9.54	9.08
Denmark		7.000	12/04	87.4000	-0.070	8.97	9.06	8.82
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany Bund		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	No 119	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	No 164	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK Gilts		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Treasury *		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU (French Govt)		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	Apr	May	Jun	PUTS Mar	Apr	May	Jun
9000	0.78	0.71	0.88	1.03	0.33	0.85	1.02	1.17
9050	0.48	0.51	0.67	0.81	0.65	1.15	1.31	1.45
9100	0.28	0.35	0.50	0.63	0.85	1.49	1.64	1.77

Est. vol. total, Calls 14866 Puts 12359. Previous day's open int., Calls 191372 Puts 124692

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100% [illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100% [illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) [illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100% [illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100% [illegible]

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) [illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF) [illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100% [illegible]

Ecu

■ ECU BOND FUTURES (MATIF) [illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% [illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% [illegible]

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jan 31	Day's change %	Mon Jan 30	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	118.85	+0.14	118.78	1.52	1.40
2 5-15 years (22)	139.59	+0.14	139.40	1.63	1.59
3 Over 15 years (9)	155.25	+0.04	155.19	0.63	2.83
4 Irredeemables (6)	178.53	+0.02	178.49	2.48	0.00
5 All stocks (60)	138.43	+0.12	138.26	1.49	1.72

	Low coupon yield Jan 31	Jan 30	Yr. ago	Medium coupon yield Jan 31	Jan 30	Yr. ago	High coupon yield Jan 31	Jan 30	Yr. ago
5 yrs	8.55	8.59	5.88	8.56	8.59	5.88	8.74	8.78	5.99
15 yrs	8.46	8.47	6.44	8.58	8.59	6.55	8.80	8.81	6.74
20 yrs	8.43	8.43	6.53	8.58	8.59	6.57	8.72	8.73	6.75
Irred.†	8.50	8.50	6.60						

Index-linked [illegible]

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Mexico breakthrough prompts sharp dollar rally

President Clinton's bold decision to bypass the US congress to announce a support package for Mexico yesterday prompted a sharp rally in the dollar, *writes Philip Gawith.*

The market's early response appeared to be based on the view that the US plan might involve the sale by the Treasury of some of its yen and D-Mark reserves.

At midday in New York the dollar was trading at DM1.5270, more than two pfennigs up on the low for the day of DM1.5060, before President Clinton made his announcement. It then stabilised around the DM1.5250 level as the market waited for Mr Robert Rubin, the US treasury secretary, to elaborate the details of the plan.

The Mexican peso and the Canadian dollar both also rallied on the news. The peso had, by midday in Mexico, climbed 55 centavos to 5.85, against the dollar. The peso had been as low as 6.5 on Monday.

The Canadian dollar surged at midday to C$1.4080 from opening levels around C$1.4192 against the US dollar.

Sterling was trading around DM2.41 and $1.58 in the New York afternoon, sharply down against the dollar, but stronger against the D-Mark.

■ Developments surrounding Mexico overshadowed the meeting of the Federal Open Markets Committee which is expected today to announce a rise in US interest rates.

Commenting on the market's response, Mr Chris Turner, currency analyst at BZW in London, said: "Markets appeared to respond to the sign of leadership out of the US, rather than to the detail of the package."

■ Pound in New York

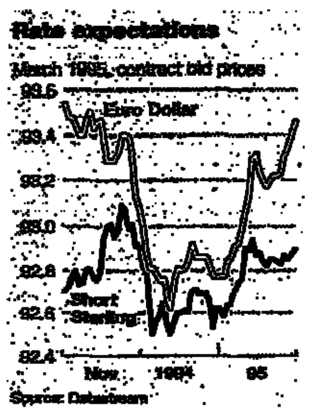
Jan 31	Latest	Prev. close
£ spot	1.5805	1.5953
1 mth	1.5802	1.5952
3 mth	1.5790	1.5940
1 yr	1.5730	1.5880

Some analysts raised the intriguing prospect that if the detail of the support package survives scrutiny, and the FOMC follows up with higher rates, President Clinton, without seeking to do so, might have managed to engineer a significant shift in sentiment towards the dollar.

Whatever the reality, the market's perception was that by happy coincidence, if not design, he had achieved the fortuitous combination of helping stabilise the Mexican situation, while simultaneously offering a lifeboat to the dollar.

Given that the dollar has recently again been close to the levels at which the Fed intervened to support it last November, this outcome would please the US Treasury.

Contrary, however, to the market's sanguine prognosis of what the plan might mean for the dollar, a Treasury official stressed that "there will be no foreign exchange implications." He said: "We will not have to sell any currencies," (to do the deal).



This announcement did not have any market impact, suggesting that perception, if not reality, had been sufficient to shift the market psychology.

Earlier in the day there had been rumours of the Bank of France and the Bank of Spain buying dollars for D-Marks. This lent some support to the dollar, although it did not appear to be part of any concerted intervention programme. Mr Turner said: "It seems quite a clever way of defending their own currencies without appearing to be in too much of a panic."

The rumour was sufficient to lift the dollar above some potentially dangerous technical levels, just below DM1.50. The dollar touched DM1.50 on Monday evening. Analysts said these could have heralded a dollar rout, if breached.

■ One spin-off of the dollar's rally was to take some pressure off some of the European currencies which have been under pressure recently. In early afternoon New York, the lira was trading at L1,054.60 against the D-Mark, after earlier touching a low of L1,062. The franc was at FFr3.4682, compared to an earlier low of FFr3.4723.

■ In the UK, meanwhile, interest rate sentiment improved following reported comments from Bank of England governor, Mr Eddie George, of signs of a slowdown in the UK economy. Short sterling contracts were up across the board, with the June contract closing at 92.31 from 92.25.

Analysts said the market was now increasingly uncertain whether a further tightening would follow tomorrow's monthly monetary meeting between Mr George and Mr Kenneth Clarke, the chancellor.

The Bank of England cleared a £950m money market shortage at established rates in its daily operations. Three month money was slightly easier at 6$\frac{13}{16}$ per cent.

■ OTHER CURRENCIES

Jan 31	£	$
Hungary	178.115 - 179.499	112.850 - 113.050
Iran	2774.95 - 2778.13	1748.00 - 1750.00
Kuwait	0.4735 - 0.4738	0.2983 - 0.2984
Poland	3.8383 - 3.8422	2.4170 - 2.4200
Russia	6365.87 - 6381.75	4010.00 - 4020.00
U.A.E.	5.8283 - 5.8319	3.6727 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Jan 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8548	-0.0998	481 - 614	16.8788	16.8481	16.8423	0.9	16.8086	1.1	-	-	116.9
Belgium	(BFr)	49.6150	+0.1037	000 - 299	49.6590	49.4280	49.565	1.2	49.465	1.2	48.95	1.3	117.8
Denmark	(DKr)	9.5009	+0.0128	970 - 048	9.5070	9.4712	9.4963	0.6	9.4859	0.6	9.4431	0.6	117.4
Finland	(FM)	7.5302	+0.021	230 - 373	7.5470	7.4720	-	-	-	-	-	-	88.0
France	(FFr)	8.3476	+0.0104	455 - 497	8.3528	8.3220	8.3428	0.7	8.3311	0.8	8.2753	0.9	110.3
Germany	(DM)	2.4055	+0.0056	043 - 066	2.4097	2.3964	2.403	1.3	2.3995	1.3	2.3809	1.3	128.1
Greece	(Dr)	375.511	+0.73	373 - 650	375.753	374.072	-	-	-	-	-	-	66.5
Ireland	(I£)	1.0135	+0.0013	130 - 139	1.0157	1.0117	1.0132	0.4	1.013	0.2	1.0115	0.2	104.9
Italy	(L)	2542.30	-0.51	111 - 350	2549.45	2538.92	2548.7	-2.1	2558.55	-2.2	2602.55	-2.4	72.8
Luxembourg	(LFr)	49.6150	+0.1037	000 - 299	49.6590	49.4280	49.565	1.2	49.465	1.2	48.95	1.3	117.8
Netherlands	(Fl)	2.6963	+0.0065	974 - 991	2.7036	2.6857	2.6935	1.1	2.6884	1.2	2.661	1.3	122.3
Norway	(NKr)	10.5510	+0.0206	469 - 550	10.5549	10.5189	10.5501	0.1	10.5484	0.1	10.5379	0.1	97.0
Portugal	(Es)	248.785	+0.369	667 - 904	248.977	248.114	249.385	-2.9	251.035	-3.6	-	-	95.5
Spain	(Pta)	209.305	+0.368	193 - 418	209.599	208.528	209.64	-1.9	210.47	-2.2	214.37	-2.4	83.2
Sweden	(SKr)	11.8444	+0.0184	365 - 522	11.8647	11.8236	11.8579	-1.4	11.8839	-1.3	11.9919	-1.2	74.5
Switzerland	(SFr)	2.0255	+0.002	248 - 262	2.0269	2.0178	2.0215	2.4	2.0124	2.6	1.9659	2.9	122.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.9
Ecu	-	1.2739	+0.0009	734 - 743	1.2758	1.2703	1.2735	0.4	1.2725	0.5	1.2666	0.6	-
SDR†	-	0.928429	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5877	-0.0038	874 - 880	1.5989	1.5874	-	-	-	-	-	-	-
Brazil	(Cr)	1.3358	-0.0064	348 - 368	1.3461	1.3348	-	-	-	-	-	-	-
Canada	(C$)	2.2437	-0.0107	429 - 444	2.2719	2.2429	2.2469	-1.7	2.2522	-1.5	2.2658	-1.0	83.5
Mexico	(New Peso)	10.0804	+0.5915	984 - 613	10.4440	9.9994	-	-	-	-	-	-	-
USA	($)	1.5875	-0.0038	872 - 877	1.5987	1.5872	1.5872	0.2	1.586	0.4	1.5802	0.5	62.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0966	+0.0014	958 - 976	2.1045	2.0956	2.0991	-1.4	2.1052	-1.6	2.1393	-2.0	-
Hong Kong	(HK$)	12.2832	-0.0187	805 - 869	12.2875	12.2805	12.2822	0.1	12.2807	0.8	12.2085	0.6	-
India	(Rs)	49.8055	-0.1075	944 - 181	50.1470	49.7944	-	-	-	-	-	-	-
Israel	(Shk)	4.7571	-0.0088	624 - 718	4.8532	4.7624	-	-	-	-	-	-	-
Japan	(Y)	157.078	+0.254	974 - 182	157.470	155.830	156.598	3.7	155.465	4.1	149.415	4.9	188.2
Malaysia	(M$)	4.0598	-0.0086	561 - 634	4.0914	4.0595	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4826	-0.0094	808 - 843	2.4922	2.4808	2.487	-2.1	2.4968	-2.3	2.5268	-1.8	-
Philippines	(Peso)	38.9719	-0.0811	864 - 574	39.0968	38.8884	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9536	-0.0128	525 - 547	5.9956	5.9525	-	-	-	-	-	-	-
Singapore	(S$)	2.3074	-0.0017	062 - 085	2.3210	2.3062	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6089	-0.0116	068 - 109	5.6357	5.6068	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5244	+0.0182	075 - 413	6.5575	6.5075	-	-	-	-	-	-	-
South Korea	(Won)	1253.13	-2.61	278 - 349	1261.85	1252.78	-	-	-	-	-	-	-
Taiwan	(T$)	41.7333	-0.0867	196 - 470	42.0218	41.7196	-	-	-	-	-	-	-
Thailand	(Bt)	39.7857	-0.0568	435 - 678	39.9990	39.7435	-	-	-	-	-	-	-

†SDR rates for Jan 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.6175	-0.02	150 - 200	10.6600	10.5870	10.61	0.8	10.5902	1.0	10.4575	1.5	105.4
Belgium	(BFr)	31.2545	-0.15	500 - 590	31.2590	30.9600	31.232	0.9	31.187	0.9	30.9795	0.9	106.8
Denmark	(DKr)	5.9850	+0.0025	835 - 865	5.9865	5.9322	5.9932	0.4	5.981	0.3	5.976	0.2	105.7
Finland	(FM)	4.7436	+0.023	398 - 473	4.7473	4.6823	4.7418	0.4	4.7371	0.5	4.7226	0.3	82.7
France	(FFr)	5.2585	+0.0175	560 - 590	5.2590	5.2155	5.2565	0.5	5.2529	0.4	5.237	0.4	108.7
Germany	(DM)	1.5153	+0.0054	148 - 158	1.5158	1.5009	1.514	1.0	1.5109	1.2	1.4941	1.4	108.7
Greece	(Dr)	236.550	-0.95	500 - 600	236.600	234.350	236.55	-1.9	244.3	-13.1	256.7	-8.5	68.5
Ireland	(I£)	1.5664	-0.0052	659 - 669	1.5764	1.5650	1.5666	-0.1	1.5662	0.1	1.5654	0.1	-
Italy	(L)	1601.30	+3	100 - 200	1602.00	1591.20	1604.55	-2.3	1611.8	-2.6	1647	-2.8	73.0
Luxembourg	(LFr)	31.2545	-0.15	500 - 590	31.2590	30.9600	31.232	0.9	31.187	0.9	30.9795	0.9	106.8
Netherlands	(Fl)	1.6985	+0.007	980 - 990	1.7000	1.6844	1.6968	0.9	1.6931	1.1	1.6778	1.2	106.6
Norway	(NKr)	6.6465	+0.0257	450 - 480	6.6480	6.5901	6.6422	0.8	6.6358	0.6	6.634	0.6	97.2
Portugal	(Es)	156.720	-0.57	670 - 770	156.770	155.350	157.105	-2.9	158.125	-3.5	162.575	-3.7	95.5
Spain	(Pta)	131.850	-0.605	800 - 900	131.900	130.640	132.085	-2.1	132.7	-2.6	135.645	-2.9	78.3
Sweden	(SKr)	7.4613	+0.027	575 - 650	7.4650	7.4097	7.471	-1.6	7.4928	-1.7	7.5683	-1.7	79.8
Switzerland	(SFr)	1.2760	+0.004	757 - 782	1.2782	1.2640	1.2737	2.1	1.2689	2.2	1.2443	2.5	108.5
UK	(£)	1.5873	-0.0033	872 - 877	1.5987	1.5872	1.5872	0.2	1.586	0.4	1.5802	0.5	88.3
Ecu	-	1.2462	-0.0035	459 - 484	1.2559	1.2469	1.2464	-0.2	1.2467	-0.1	1.2477	-0.1	-
SDR†	-	1.47418	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-	001 - 002	1.0001	1.0002	-	-	-	-	-	-	-
Brazil	(Cr)	0.8415	-0.0035	410 - 420	0.8430	0.8410	-	-	-	-	-	-	-
Canada	(C$)	1.4134	-0.0086	131 - 136	1.4219	1.4131	1.4157	-1.9	1.42	-1.9	1.4338	-1.5	80.2
Mexico	(New Peso)	6.3500	+0.385	000 - 000	6.6300	6.3000	6.3508	-0.2	6.3512	-0.1	6.3526	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3207	+0.0037	203 - 212	1.3225	1.3164	1.3229	-2.0	1.3275	-2.1	1.353	-2.4	89.3
Hong Kong	(HK$)	7.7377	+0.0043	372 - 382	7.7387	7.7367	7.7380	-0.2	7.7399	-0.1	7.7447	-0.1	-
India	(Rs)	31.3750	-0.0025	725 - 775	31.3775	31.3700	31.455	-3.1	31.7	-4.1	-	-	-
Israel	(Shk)	3.0030	+0.0007	005 - 055	3.0418	2.9960	-	-	-	-	-	-	-
Japan	(Y)	98.9500	+0.355	000 - 000	99.0000	98.4100	98.88	3.5	97.99	3.9	94.545	4.5	148.7
Malaysia	(M$)	2.5570	+0.0023	570 - 300	2.5592	2.5570	2.5555	0.9	2.551	1.0	2.535	0.9	-
New Zealand	(NZ$)	1.5637	-0.0027	630 - 647	1.5654	1.5589	1.5672	-2.7	1.5732	-2.4	1.5962	-2.2	-
Philippines	(Peso)	24.5500	-	000 - 000	24.6500	24.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0003	503 - 505	3.7505	3.7505	3.753	-0.8	3.7563	-0.6	3.7679	-0.5	-
Singapore	(S$)	1.4535	+0.0019	530 - 540	1.4540	1.4524	1.4486	4.1	1.4432	2.8	1.4196	2.3	-
S Africa (Com.)	(R)	3.5333	-	325 - 340	3.5360	3.5305	3.5493	-5.1	3.5799	-5.2	3.7363	-5.7	-
S Africa (Fin.)	(R)	4.1100	+0.02	000 - 200	4.1200	4.1000	4.1375	-8.0	4.1875	-7.5	4.42	-7.5	-
South Korea	(Won)	789.400	-	300 - 500	-	-	792.4	-4.8	795.9	-3.3	814.4	-3.2	-
Taiwan	(T$)	26.2895	-	850 - 940	-	-	-	-	26.3495	-0.9	-	-	-
Thailand	(Bt)	25.0500	+0.015	400 - 600	25.0400	25.0300	25.0885	-0.8	25.0785	-0.4	25.1025	-0.2	-

†SDR rate for Jan 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 30. Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

January 31	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4$\frac{3}{16}$	5$\frac{1}{16}$	5$\frac{5}{16}$	5$\frac{13}{16}$	6$\frac{5}{16}$	7.40	4.50	-
week ago	4$\frac{3}{16}$	5$\frac{1}{16}$	5$\frac{3}{8}$	5$\frac{13}{16}$	6$\frac{5}{16}$	7.40	4.50	-
France	5$\frac{3}{8}$	5$\frac{9}{16}$	5$\frac{7}{8}$	6$\frac{1}{16}$	6$\frac{9}{16}$	5.00	-	6.40
week ago	5$\frac{3}{8}$	5$\frac{9}{16}$	5$\frac{7}{8}$	6$\frac{1}{4}$	6$\frac{11}{16}$	5.00	-	6.40
Germany	5.80	4.95	5.05	5.25	5.70	6.00	4.50	4.85
week ago	4.80	4.95	5.05	5.30	5.75	6.00	4.50	4.85
Ireland	5$\frac{1}{4}$	5$\frac{3}{4}$	6$\frac{1}{4}$	6$\frac{13}{16}$	7$\frac{3}{8}$	-	-	6.25
week ago	5$\frac{3}{8}$	5$\frac{3}{4}$	6$\frac{1}{4}$	6$\frac{13}{16}$	7$\frac{3}{8}$	-	-	6.25
Italy	8$\frac{3}{4}$	8$\frac{5}{8}$	8$\frac{13}{16}$	9$\frac{1}{16}$	10$\frac{1}{4}$	-	7.50	8.20
week ago	8$\frac{5}{8}$	8$\frac{5}{8}$	8$\frac{7}{8}$	9$\frac{3}{8}$	10$\frac{1}{8}$	-	7.50	8.20
Netherlands	4.84	5.05	5.13	5.34	5.83	-	5.25	-
week ago	4.84	5.05	5.15	5.37	5.88	-	5.25	-
Switzerland	3$\frac{3}{4}$	3$\frac{3}{8}$	4	4$\frac{3}{8}$	4$\frac{5}{8}$	6.625	3.50	-
week ago	3$\frac{3}{4}$	3$\frac{3}{8}$	4$\frac{1}{8}$	4$\frac{3}{8}$	4$\frac{11}{16}$	6.625	3.50	-
US	5$\frac{13}{16}$	6	6$\frac{1}{4}$	6$\frac{5}{8}$	7$\frac{3}{8}$	-	4.75	-
week ago	5$\frac{1}{2}$	6	6$\frac{1}{4}$	6$\frac{13}{16}$	7$\frac{3}{8}$	-	4.75	-
Japan	2$\frac{1}{4}$	2$\frac{1}{4}$	2$\frac{1}{4}$	2$\frac{1}{4}$	2$\frac{5}{8}$	-	1.75	-
week ago	2$\frac{1}{4}$	2$\frac{1}{4}$	2$\frac{1}{4}$	2$\frac{3}{8}$	2$\frac{5}{8}$	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6$\frac{1}{8}$	6$\frac{3}{8}$	6$\frac{13}{16}$	7$\frac{1}{4}$	-	-	-
week ago	-	6$\frac{1}{8}$	6$\frac{3}{8}$	6$\frac{3}{4}$	7$\frac{1}{8}$	-	-	-
US Dollar CDs	-	5.90	6.10	6.40	6.98	-	-	-
week ago	-	5.90	6.16	6.65	7.26	-	-	-
SDR Linked Ds	-	4.625	4.812	5.125	5.687	-	-	-
week ago	-	4.625	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth: 5$\frac{3}{4}$; 3 mths: 6; 6 mths: 6$\frac{3}{8}$; 1 year: 6$\frac{7}{8}$. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 31	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4$\frac{13}{16}$ - 4$\frac{11}{16}$	5 - 4$\frac{7}{8}$	5$\frac{3}{16}$ - 5$\frac{1}{16}$	5$\frac{7}{16}$ - 5$\frac{5}{16}$	5$\frac{15}{16}$ - 5$\frac{13}{16}$	6$\frac{5}{16}$ - 6$\frac{3}{16}$
Danish Krone	5$\frac{1}{4}$ - 5	5$\frac{1}{4}$ - 6$\frac{1}{2}$	5$\frac{7}{8}$ - 5$\frac{5}{8}$	6$\frac{1}{4}$ - 6	6$\frac{5}{8}$ - 6$\frac{3}{8}$	7$\frac{1}{16}$ - 7$\frac{3}{16}$
D-Mark	5 - 4$\frac{7}{8}$	5 - 4$\frac{7}{8}$	5 - 4$\frac{7}{8}$	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5$\frac{3}{8}$ - 5$\frac{1}{4}$	5$\frac{15}{16}$ - 5$\frac{3}{4}$
Dutch Guilder	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5$\frac{1}{8}$ - 5$\frac{1}{16}$	5$\frac{3}{16}$ - 5$\frac{1}{16}$	5$\frac{3}{8}$ - 5$\frac{1}{4}$	5$\frac{15}{16}$ - 5$\frac{13}{16}$
French Franc	5$\frac{9}{16}$ - 5$\frac{7}{16}$	5$\frac{7}{16}$ - 5$\frac{5}{16}$	5$\frac{1}{2}$ - 5$\frac{3}{8}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$	6$\frac{3}{16}$ - 6$\frac{1}{16}$	6$\frac{3}{4}$ - 6$\frac{5}{8}$
Portuguese Esc.	8$\frac{7}{8}$ - 8$\frac{1}{4}$	9 - 8$\frac{13}{16}$	9$\frac{1}{4}$ - 9	10$\frac{3}{8}$ - 10$\frac{1}{8}$	10$\frac{3}{4}$ - 10$\frac{1}{2}$	11$\frac{1}{8}$ - 10$\frac{13}{16}$
Spanish Peseta	8$\frac{1}{8}$ - 8	8$\frac{3}{8}$ - 8	8$\frac{7}{8}$ - 8$\frac{1}{4}$	8$\frac{7}{8}$ - 8$\frac{1}{4}$	9$\frac{1}{8}$ - 9$\frac{1}{8}$	10$\frac{3}{8}$ - 10$\frac{1}{8}$
Sterling	4$\frac{3}{4}$ - 4$\frac{1}{2}$	5$\frac{5}{8}$ - 5$\frac{3}{8}$	6$\frac{13}{16}$ - 6$\frac{11}{16}$	6$\frac{3}{4}$ - 6$\frac{11}{16}$	7$\frac{1}{8}$ - 7	7$\frac{3}{4}$ - 7$\frac{5}{8}$
Swiss Franc	3$\frac{7}{8}$ - 3$\frac{5}{8}$	3$\frac{3}{4}$ - 3$\frac{5}{8}$	3$\frac{13}{16}$ - 3$\frac{11}{16}$	4 - 3$\frac{7}{8}$	4$\frac{1}{4}$ - 4$\frac{1}{8}$	4$\frac{5}{8}$ - 4$\frac{1}{2}$
Can. Dollar	7$\frac{1}{2}$ - 7$\frac{1}{4}$	7$\frac{5}{8}$ - 7$\frac{3}{8}$	8$\frac{1}{4}$ - 7$\frac{15}{16}$	8$\frac{1}{4}$ - 8$\frac{1}{8}$	8$\frac{1}{2}$ - 8$\frac{3}{8}$	8$\frac{15}{16}$ - 8$\frac{13}{16}$
US Dollar	6 - 5$\frac{7}{8}$	6 - 5$\frac{7}{8}$	6$\frac{1}{8}$ - 5$\frac{15}{16}$	6$\frac{3}{8}$ - 6$\frac{1}{4}$	6$\frac{5}{8}$ - 6$\frac{1}{2}$	7$\frac{1}{4}$ - 7$\frac{1}{8}$
Italian Lira	9 - 7$\frac{1}{2}$	8$\frac{1}{2}$ - 8$\frac{1}{4}$	8$\frac{5}{8}$ - 8$\frac{1}{2}$	8$\frac{13}{16}$ - 8$\frac{11}{16}$	9$\frac{7}{16}$ - 9$\frac{5}{16}$	10$\frac{3}{8}$ - 10$\frac{1}{4}$
Yen	2$\frac{1}{4}$ - 2$\frac{1}{8}$	2$\frac{1}{4}$ - 2$\frac{1}{8}$	2$\frac{3}{8}$ - 2$\frac{1}{4}$	2$\frac{3}{8}$ - 2$\frac{1}{4}$	2$\frac{3}{8}$ - 2$\frac{1}{4}$	2$\frac{13}{16}$ - 2$\frac{11}{16}$
Asian $Sing	3$\frac{7}{8}$ - 3$\frac{5}{8}$	4$\frac{3}{8}$ - 4$\frac{1}{4}$	3$\frac{5}{8}$ - 3$\frac{1}{2}$	4$\frac{3}{8}$ - 4$\frac{1}{4}$	4$\frac{5}{8}$ - 4$\frac{1}{2}$	4$\frac{3}{4}$ - 4$\frac{5}{8}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.74	93.81	+0.07	93.86	93.72	22,622	43,462
Jun	93.29	93.35	+0.06	93.41	93.27	16,253	46,375
Sep	92.98	93.05	+0.06	93.09	92.97	5,277	34,750
Dec	92.70	92.76	+0.05	92.79	92.69	3,236	19,090

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.44	93.46	+0.06	93.44	93.44	35	1402
Jun	-	92.88	+0.03	-	-	0	535
Sep	-	92.55	+0.01	-	-	0	177
Dec	-	92.26	+0.01	-	-	0	200

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.76	94.79	+0.03	94.80	94.74	25150	194568
Jun	94.36	94.42	+0.06	94.43	94.35	33170	171429
Sep	93.97	94.03	+0.05	94.03	93.97	9266	98876
Dec	93.60	93.64	+0.04	93.65	93.58	7257	73396

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.50	90.58	+0.08	90.58	90.44	7627	38110
Jun	89.85	89.98	+0.08	89.98	89.84	4223	25153
Sep	89.45	89.58	+0.08	89.59	89.45	1100	26396
Dec	89.21	89.27	+0.08	89.27	89.21	701	15846

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.80	95.87	+0.08	95.87	95.80	3402	19439
Jun	95.52	95.56	+0.07	95.59	95.49	2161	14752
Sep	95.24	95.29	+0.06	95.30	95.24	743	6148
Dec	95.03	95.04	+0.05	95.03	95.03	312	4804

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.47	93.53	+0.05	93.54	93.47	1062	9624
Jun	92.98	93.03	+0.04	93.04	92.98	677	6123
Sep	92.62	92.63	+0.05	92.63	92.61	299	3430
Dec	92.16	92.22	+0.03	92.21	92.16	182	1850

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.15	16.83	4.848	2.042	5124	5.438	21.27	501.3	421.9	23.87	4.082	2.016	4.521	3.199	316.5	2.568
Denmark	(DKr)	52.22	10	8.786	2.532	1.066	2676	2.840	11.11	261.8	220.3	12.46	2.132	1.053	2.361	1.671	165.3	1.340
France	(FFr)	59.43	11.38	10	2.881	1.214	3045	3.232	12.64	298.0	250.7	14.18	2.426	1.198	2.687	1.901	188.1	1.525
Germany	(DM)	20.63	3.950	3.471	1	0.421	1057	1.122	4.387	103.4	87.03	4.923	0.842	0.416	0.933	0.660	65.28	0.529
Ireland	(I£)	48.97	9.376	8.240	2.374	1	2509	2.663	10.41	245.5	206.6	11.69	1.999	0.987	2.214	1.567	155.0	1.257
Italy	(L)	1.952	0.374	0.328	0.095	0.040	100.	0.106	0.415	9.784	8.234	0.466	0.080	0.039	0.088	0.062	6.176	0.050
Netherlands	(Fl)	18.39	3.521	3.094	0.891	0.376	942.2	1	3.910	92.18	77.58	4.388	0.751	0.371	0.831	0.588	58.19	0.472
Norway	(NKr)	47.02	9.005	7.912	2.280	0.960	2409	2.557	10	235.7	198.4	11.22	1.919	0.948	2.126	1.504	148.8	1.207
Portugal	(Es)	19.95	3.820	3.356	0.967	0.407	1022	1.085	4.242	100.	84.16	4.761	0.814	0.402	0.902	0.638	63.13	0.512
Spain	(Pta)	23.70	4.539	3.988	1.149	0.484	1215	1.289	5.041	118.8	100.	5.657	0.968	0.478	1.072	0.758	75.01	0.608
Sweden	(SKr)	41.90	8.024	7.050	2.031	0.856	2147	2.279	8.910	210.1	176.8	10	1.710	0.845	1.894	1.340	132.6	1.075
Switzerland	(SFr)	24.50	4.691	4.122	1.188	0.500	1255	1.332	5.210	122.8	103.4	5.847	1	0.494	1.108	0.784	77.53	0.629
UK	(£)	49.61	9.500	8.347	2.406	1.013	2542	2.696	10.55	248.7	209.3	11.84	2.025	1	2.243	1.587	157.0	1.273
Canada	(C$)	22.12	4.235	3.721	1.072	0.452	1133	1.203	4.704	110.9	93.31	5.279	0.903	0.446	1	0.708	70.00	0.568
US	($)	31.26	5.986	5.260	1.515	0.638	1602	1.700	6.648	156.7	131.9	7.461	1.276	0.630	1.413	1	98.93	0.802
Japan	(Y)	31.60	6.051	5.317	1.532	0.645	1619	1.718	6.720	158.4	133.3	7.541	1.290	0.637	1.429	1.011	100.	0.811
Ecu		38.97	7.463	6.557	1.889	0.796	1997	2.119	8.288	195.4	164.4	9.301	1.591	0.786	1.762	1.247	123.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.6653	0.6625	-0.0027	0.6666	0.6608	29,499	61,260
Jun	0.6650	0.6650	-0.0027	0.6650	0.6634	760	2,970
Sep	-	0.6701	-	-	-	41	216

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	1.0211	1.0181	-0.0025	1.0211	1.0148	29,215	75,810
Jun	1.0290	1.0297	-0.0033	1.0297	1.0270	1,026	7,495
Sep	-	1.0449	-	-	-	4	588

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.7907	0.7881	-0.0028	0.7932	0.7862	16,182	41,071
Jun	0.7930	0.7930	-0.0024	0.7934	0.7913	118	1,344
Sep	-	0.7972	-	-	0.7972	1	74

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	1.5938	1.5908	-0.0006	1.5964	1.5882	17,505	38,179
Jun	-	1.5880	-	1.5910	1.5880	38	1,330
Sep	-	1.5870	-	1.5900	1.5870	2	6

UK INTEREST RATES

LONDON MONEY RATES

Jan 31	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4$\frac{3}{4}$ - 2	5$\frac{5}{8}$ - 5$\frac{3}{8}$	6$\frac{7}{8}$ - 6$\frac{3}{4}$	6$\frac{13}{16}$ - 6$\frac{11}{16}$	7$\frac{1}{8}$ - 7	7$\frac{13}{16}$ - 7$\frac{11}{16}$
Sterling CDs	-	-	6$\frac{7}{8}$ - 6$\frac{3}{4}$	6$\frac{13}{16}$ - 6$\frac{11}{16}$	7$\frac{1}{16}$ - 6$\frac{15}{16}$	7$\frac{13}{16}$ - 7$\frac{5}{8}$
Treasury Bills	-	-	6$\frac{7}{8}$ - 6$\frac{3}{4}$	6$\frac{7}{8}$ - 6$\frac{3}{4}$	-	-
Bank Bills	-	-	6$\frac{7}{8}$ - 6$\frac{5}{8}$	6$\frac{7}{8}$ - 6$\frac{13}{16}$	7 - 6$\frac{7}{8}$	-
Local authority deps.	4$\frac{13}{16}$ - 4$\frac{11}{16}$	5$\frac{3}{4}$ - 5$\frac{5}{8}$	6$\frac{13}{16}$ - 6$\frac{3}{4}$	6$\frac{3}{4}$ - 6$\frac{5}{8}$	7$\frac{1}{16}$ - 6$\frac{15}{16}$	7$\frac{13}{16}$ - 7$\frac{11}{16}$
Discount Market deps	4$\frac{3}{4}$ - 4	5$\frac{7}{16}$ - 5$\frac{5}{16}$	-	-	-	-

UK clearing bank base lending rate 6$\frac{1}{4}$ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2$\frac{1}{2}$	5$\frac{1}{4}$	5$\frac{1}{2}$	5$\frac{3}{4}$

Certs of Tax dep. under £100,000 is 2$\frac{1}{2}$pc. Deposits withdrawn for cash 1$\frac{1}{2}$pc. Ave. tender rate of discount 6.1071pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1995. Agreed rate for period Feb 26, 1995 to Mar 25, 1995, Schemes II & III 7.87pc. Reference rate for period Dec 31, 1994 to Jan 31, 1995, Schemes IV & V 6.824pc. Finance House Base Rate 7pc from Feb 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.88	92.93	+0.05	92.97	92.88	21775	79435
Jun	92.24	92.31	+0.06	92.37	92.24	37598	86567
Sep	91.80	91.89	+0.08	91.94	91.80	12811	64187
Dec	91.52	91.58	+0.06	91.63	91.52	10304	50105

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9275	0.25	0.10	0.11	0.07	0.54	0.97
9300	0.10	0.06	0.07	0.17	0.78	1.18
9325	0.02	0.02	0.04	0.34	0.96	1.40

Est. vol. total, Calls 7700 Puts 11500. Previous day's open int., Calls 133872 Puts 130009

EMS EUROPEAN CURRENCY UNIT RATES

Jan 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.12774	+0.00111	-3.14	10.51	-
Belgium	40.2123	39.1322	+0.0082	-2.69	9.99	20
Germany	1.94964	1.89806	+0.00063	-2.65	9.95	-
Austria	13.7167	13.3536	-0.08470	-2.65	9.94	-
Ireland	0.808628	0.799788	+0.001217	-1.09	8.22	7
France	6.53883	6.58137	-0.00566	0.65	6.35	-5
Denmark	7.43679	7.49430	+0.00137	0.77	6.22	-5
Portugal	192.854	196.236	+0.081	1.75	5.19	-12
Spain	154.250	165.106	+0.126	7.04	0.00	-49
NON ERM MEMBERS						
Greece	264.513	296.005	+0.275	11.91	-4.35	-
Italy	1793.19	2005.13	-1.13	11.82	-4.28	-
UK	0.786749	0.786935	-0.000136	0.26	6.74	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.500	9.02	8.96	9.00	-	-	0.14
1.525	6.58	6.61	6.84	-	0.06	0.39
1.550	4.12	4.38	4.85	-	0.32	0.86
1.575	1.92	2.55	3.24	0.23	0.92	1.65
1.600	0.47	1.22	2.00	1.28	2.07	2.78
1.625	0.03	0.46	1.12	3.29	3.77	4.37

Previous day's vol., Calls 6,091 Puts 3,759. Prev. day's open int., Calls 220,667 Puts 282,545

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.43	93.44	+0.01	93.46	93.42	89,928	410,565
Jun	92.83	92.84	+0.01	92.86	92.82	130,648	374,404
Sep	92.52	92.53	+0.01	92.56	92.50	85,123	271,103

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.06	94.06	+0.01	94.08	94.05	2,042	9,624
Jun	93.43	93.43	+0.01	93.44	93.43	1,121	9,173
Sep	93.12	93.12	-	93.14	93.11	408	3,491

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
9475	0.07	0.11	0.04	0.06	0.03	0.07	0.37	0.41
9500	0	0.02	0.01	0.08	0.21	0.23	0.59	0.61
9525	0	0	0	0.01	0.46	0.46	0.83	0.84

Est. vol. total, Calls 8570 Puts 5149. Previous day's open int., Calls 160201 Puts 204365

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9575	0.16	0.10	0.10	0.04	0.29	0.56
9600	0.03	0.03	0.04	0.16	0.47	0.75
9625	0.01	0.01	0.02	0.38	0.70	0.98

Est. vol. total, Calls 6 Puts 0. Previous day's open int., Calls 1795 Puts 2010

BASE LENDING RATES

	%
Adam & Company	6.25
Allied Trust Bank	6.25
AIB Bank	6.25
●Henry Ansbacher	6.25
Bank of Baroda	6.25
Banco Bilbao Vizcaya	6.25
Bank of Cyprus	6.25
Bank of Ireland	6.25
Bank of India	6.25
Bank of Scotland	6.25
Barclays Bank	6.25
Brit Bk of Mid East	6.25
●Brown Shipley & Co Ltd	6.25
Citibank NA	6.25
Clydesdale Bank	6.25
The Co-operative Bank	6.25
Coutts & Co	6.25
Credit Lyonnais	6.25
Cyprus Popular Bank	6.25
Duncan Lawrie	6.25
Exeter Bank Limited	7.25
Financial & Gen Bank	7.00
●Robert Fleming & Co	6.25
Girobank	6.25
●Guinness Mahon	6.25
Habib Bank AG Zurich	6.25
●Hambros Bank	6.25
Heritable & Gen Inv Bk	6.25
●Hill Samuel	6.25
C. Hoare & Co	6.25
Hongkong & Shanghai	6.25
Julian Hodge Bank	6.25
●Leopold Joseph & Sons	6.25
Lloyds Bank	6.25
Meghraj Bank Ltd	6.25
Midland Bank	6.25
* Mount Banking	6.25
NatWestminster	6.25
●Rea Brothers	6.25
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Royal Bk of Scotland	6.25
Singer & Friedlander	6.25
●Smith & Williamson Secs.	6.25
TSB	6.25
●United Bk of Kuwait	6.25
Unity Trust Bank Plc	6.25
Western Trust	6.25
Whiteaway Laidlaw	6.25
Yorkshire Bank	6.25

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		97	—	117	88¼	12.1	10.3	–
9¼pc Non-Cum Prf		117¼	—	137½	107	46.9	10.4	–
Cater Allen	♣†N□	444	-1	*530¼	440	144.7	8.0	9.2
Close Bros	♣N	223	—	*285½	203	212.3	4.2	10.1
Gerrard & Nat	♣†N□	472	-1	515	355	229.9	6.4	13.6
Hambros	♣N□	240	+1	473	209	423.6	7.8	14.7
7½pc Cv Pf		105	-1	191	99½	139.1	8.7	–
Joseph (L)	♣†N	388	—	448	353	20.8	5.6	11.4
King & Shaxson	♣N	97	—	170	96	16.9	11.8	9.6
Kleinwort Benson	♣†N□	509	-10	693	424	798.1	4.0	10.6
Rea Bros	♣†N□	66	—	78	53	27.4	1.8	18.5
Schroders	♣†N□	1458	-2	1574	1050	1,458	1.6	13.4
N/V	†N	1308	-5	1458	1043	378.8	1.8	12.0
Singer & Fried	♣†N□	86	—	114	75	165.1	4.6	10.9
Union	♣†N□	89	—	*188	87	28.7	8.3	8.2
Warburg (SG)	♣N□	741	-8	1012	589	1,638	3.7	13.6
Wintrust	♣†N	295	—	380	303	20.0	5.7	15.5

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Schroder Jap Wnt		67	+½	124	65½	–	–	–
Warrants		11¾	——	38½	0¾	–	–	–
S'pore SESDAQ $		65½	+½	$14⅛	$8⅝	22.2	–	–
Sth American Fd	□	198½	–2	289¼	193¾	–	–	–
Warrants	□	53½	–5¼	169¼	52¾	–	–	–
SE Asian Warts		819	+1¾	1351	814½	–	–	–
Spanish Smlr Co's		495	+1	589¼	490¾	–	–	–
Warrants		67	+¼	141	57	–	–	–
Thai Euro Fd		$17⅜	+⅜	$23⅝	$17⅜	0.8	–	–
World Trust Fund	□	767½	–14	1016	767½	–	–	–
Warrants	□	472½	+1	559¼	387	–	–	–

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

For PLANTATIONS stocks see section FOOD PRODUCERS

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's
Royal Bk Can		11⅜xd	——	15⅝	11⅞	3,759	4.3
TVX Gold	♥	373½xp	–3¼	490½p	338½p	590.8	–
Toronto-Dom		9⅛xd	——	11¼	8⅞	2,718	4.3
Trans Can Pipe	♥	7¾	+⅛	10⅞	7⅞	1,402	4.8

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29	–2	£34	£17½	1,882	2.5	21.2
Barlow	♣	£4⅞	+⅛	£5¾	£3⅞	975.1	2.0	17.5
Gold Flds Prop R		141xa	——	152	75	14.4	7.6	Φ
MK Props		85	–2½	88	85	3.42	14.1	–
SASOL	♥	443	–3	582	380	2,555	3.1	–
SA Brews	†	£13¼	–⅞	£16⅞	£10	3,680	2.2	30.7
Tiger Oats		708	——	838	538	1,053	2.2	16.5
Tongaat-Hulett	††	701	——	*725	356½	638.9	2.0	20.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON STOCK EXCHANGE

MARKET REPORT

Late rally in shares as the US dollar improves

By Terry Byland,
UK Stock Market Editor

The baleful influence of the US Federal Reserve's Open Market Committee meeting was upstaged yesterday by President Clinton's decision to approve the Mexican loan guarantee package by executive decree. This news sent the US dollar ahead and prompted a good rally at the close of the London stock market.

The FT-SE 100-share Index, which had been 12 points lower earlier, ended the session at 2,991.6, a net 4.3 off on the day. Although trading volume remained unimpressive, the stock market appeared to recover its confidence as equity/bond valuations continued to deliver favourable signals to the UK equity market. Wall Street was 14 Dow points ahead when London closed, indicating a calm response to President Clinton's move on the Mexican package and to the opening of the FOMC meeting.

The session, as expected, was dominated by interest rate prospects. While no news was expected from the FOMC meeting until today, at the earliest, markets were disturbed by the pressure on the dollar overnight as concern increased over the resistance in the US Congress to the Mexican guarantee package.

Weakness in the dollar seemed to put further pressure on the Federal Reserve to raise US interest rates.

The UK stock market also made an uncertain response to an interview with Mr Eddie George, the governor of the Bank of England, published in a French newspaper. At first, the market read the interview as suggesting that a further rise in UK base rates was imminent, but nerves calmed later and investors settled down to wait for tomorrow's meeting between the Bank governor and Mr Kenneth Clarke, the UK chancellor of the exchequer.

The market appeared relatively optimistic, and several analysts commented that a rise of ½ percentage point in the Fed's key interest rates had already been taken into share prices.

At the day's best the Footsie touched 2,992.7, but it was clear that it was not ready to challenge the 3,000 mark again until this week's interest rate decisions on both sides of the Atlantic are out of the way.

Second line stocks followed the trend of the Footsie-listed issues and the FT-SE Mid 250 Index fell 11.9 to 3,370.4. Seaq-reported volume of 477.1m shares, while an improvement on the dismal 396.4m of the previous session, remained well below the healthier trading levels seen last week. But on Tuesday, retail, or customer, business was worth £1.1bn, comfortably profitable for the London-based securities industry. Retail business has remained high in spite of the market's apparent lack of direction.

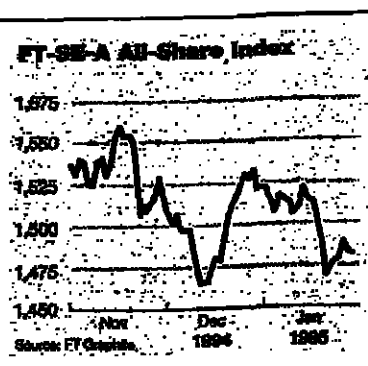
Takeover speculation turned back to the financial sectors as a suggestion from banking analysts at Nomura that Lloyds Bank might bid for the 37 per cent equity in Lloyds Abbey Life not already owned found plenty of support in the marketplace.

Shares in Lloyds Bank fell back because the price suggested for a Lloyds Abbey takeover appeared to imply a rights issue by the bank of nearly £700m.

Both Glaxo and Wellcome advanced as the market perceived that the trading statements due this week from the two groups might bring the next move in the £9bn-plus takeover attempt. The market hopes that even if Wellcome fails to find a "white knight" to enter the bid arena, Glaxo may be induced to increase its terms.

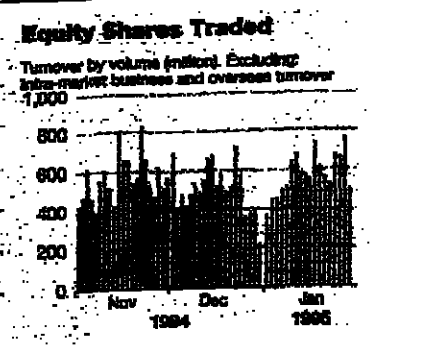
There were renewed rumours that other important bids are pending. Most favoured was the market's sudden feeling that the Courage business might be sold off by Foster's, the Australian brewer, a move thought likely to spark an auction inside the industry. Also in the bid frame was Costain, the construction group, which is thought to have been targeted from overseas.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key indicators

Indices and ratios

FT-SE 100	2991.6	-4.3	FT Ordinary index	2260.7	-2.6
FT-SE Mid 250	3370.4	-11.9	FT-SE-A Non Fins p/e	17.43	(17.46)
FT-SE-A 350	1495.4	-2.9	FT-SE100 Fut Mar	2993.5	+2.5
FT-SE-A All-Share	1480.56	-2.93	10 yr Gilt yield	8.54	(8.60)
FT-SE-A All-Share yield	4.13	(4.12)	Long gilt/equity yld ratio:	2.11	(2.12)

Best performing sectors

1	Pharmaceuticals	+0.9
2	Tobacco	+0.6
3	Gas Distribution	+0.4
4	Consumer Goods	+0.3
5	Household Goods	+0.3

Worst performing sectors

1	Retailers, Food	-1.4
2	Transport	-1.2
3	Chemicals	-1.2
4	Building Materials	-1.1
5	Paper, Pckg & Printing	-0.8

Lloyds Bank deal seen

Just as the recent burst of takeover speculation in the financial sector had begun to subside, Nomura, the Japanese-owned stockbroker, injected fresh interest by telling clients that it expected an imminent move by Lloyds Bank to buy out the minority interest in Lloyds Abbey Life.

The story electrified Lloyds Abbey shares, which raced ahead, but depressed Lloyds Bank stock, with the broker signalling that it expected the bank to help fund the move by launching a near £700m rights issue.

Lloyds Abbey climbed 31 to 359p – its highest since September last year – on the story, with turnover of 6.2m shares the largest since last July. Lloyds Bank shares, meanwhile, fell to 530p before closing a net 5 off at 539p; volume in Lloyds Bank reached a heavy 6.5m shares.

Nomura's banks analyst Mr Michael Lever said he expected Lloyds to make an agreed offer of 440p a share for the 37 per cent of Lloyds Abbey not already owned, which would value the life company at £1.14bn. Mr Lever said he expected the deal to be accompanied by a one-for-nine rights issue at 475p a share.

Other analysts rejected the story out of hand. Lloyds Bank and Lloyds Abbey are scheduled to announce preliminary figures next week, Lloyds Abbey on Wednesday and the bank on Friday.

Some analysts said Lloyds would buy out the minority and then sell on the whole for around £850m. There have been hints that Prudential, or one of the big French insurance groups, might be potential buyers. "There is no logic in buying the minority unless a sale is on the cards," said another insurance specialist.

Courage hint

After-hours' rumours of an imminent bid for Courage raced round the market following a mixed day for the sector which left Bass 3 lower at 516p, Scottish & Newcastle unchanged at 509p and Whitbread 4½ higher at 563½p.

The sale of Courage by Foster's Brewing, of Australia, has long been reckoned a strong possibility by analysts searching for a solution to the industry's chronic over-supply problem. Last night a takeover bid in excess of £400m was tipped.

Courage has a substantial supply agreement with the Chef and Brewer chain of public houses which S&N acquired in 1993 for £700m. The agreement accounts for perhaps 7 per cent of Courage output and a larger proportion of profits. Its demise threatens to severely squeeze Courage's operating margins.

With further Courage supply agreements ending in 1998, analysts feel that the concentration of minds round at Foster's is rapidly approaching maximum density.

S&N is widely assumed to be frontrunner in any auction for Courage. But last night some sort of joint deal involving Whitbread was also being talked about, with the latter possibly buying Courage's John Smith operation.

Packaging group Bowater slid 9 to 401p, making a fall of 10 per cent over the past 10 days. The worries over rising raw materials prices has been exacerbated by the after-effects of Goldman Sachs recent £800m programme trade.

Dealers said the US house had taken on a block of 2.5m shares in the tightly traded stock at 440p and the awareness that it had the stock on its books had depressed its underlying price. Yesterday, Goldman was apparently trying to cut its losses and offload the shares at 402p apiece.

Bowater were further affected by sentiment washing over from a profits warning given by Sidlaw, the diversified packaging group. Sidlaw fell 25 to 173p after the company said it had suffered from market price deflation and rising raw materials prices.

DS Smith active

David S. Smith, one of the few groups in the sector to have its feet in both paper and packaging, experienced a two-way pull. Worries over the rise in pulp prices deterred the buyers but recent underperformance and the possibility that it could soon be a bid target attracted interest.

BZW has highlighted the stock as its key buy in the sector, arguing that on current earnings multiples it offers a cheap way to expand within a sector that is too fragmented. While most merger and acquisition activity has tended to be confined within the industry, conglomerate BTR, which derives 10 per cent of its turnover from packaging, has been considered as a possible suitor.

Smith shares ended the day 3 lower at 495p. BTR slipped 2½ to 300p; the stock was also the most active among traded options.

Comments by Mr Rupert Murdoch at the World Economic Forum in Davos, Switzerland, gave a boost to newspaper shares as analysts looked ahead to the end of the newspaper price war.

Mr Murdoch, the head of News Corporation, told a conference that as the price of paper had gone up by between 30 to 40 per cent in the past three months, cuts to the cover price of some of his UK newspapers would "probably have to be corrected".

The glimmer of hope for an end to the crippling price war that began last summer helped shares in The Telegraph rise 3 to 359p, United Newspapers to gain 4 at 476p and Mirror Group Newspapers to firm 2½ to 124½p.

The latest suggestions circulating in the utilities market were that Manweb and Welsh Water could consider a strategic merger rather than get involved in a contested bid.

Specialists said that only Manweb and Seeboard have not completed their share buy-in programmes and were waiting for the results of the Monopolies and Mergers Commission's investigation into the Trafalgar House bid for Northern Electric before considering their moves.

Manweb eased 6 to 789p, while Welsh Water edged up 4 to 585p.

Cadbury Schweppes put on 3 at 421p as SGST reiterated its buy stance.

Glaxo and Wellcome rose 8 to 618p and 6 to 987p late yesterday in response to a more positive tone on Wall Street.

Airports group BAA found itself caught up in post results profit-taking, tumbling in early trading following a number of mildly bearish notes. A two-way pull developed later in the day, with the shares closing 15 lower at 445p.

NatWest Securities took a cautious stance, pointing to BAA's premium rating in relation to rising costs, heavy capital spending and possible regulatory hurdles later this year.

British Airways dipped 1½ to 366½p ahead of next Monday's third-quarter results. These are widely expected to show a profits gain of up to 50 per cent.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jan 31	Jan 30	Jan 27	Jan 26	Jan 25	Yr ago	*High	*Low
Ordinary Share	2260.7	2263.3	2284.9	2271.9	2251.7	2676.9	2713.8	2238.3
Ord. div. yield	4.63	4.63	4.58	4.60	4.65	3.48	4.66	3.43
Earn. yld. % full	6.78	6.78	6.72	6.75	6.82	3.94	6.84	3.82
P/E ratio net	17.45	17.46	17.22	17.14	16.98	32.05	33.43	16.91
P/E ratio nil	16.53	16.54	16.68	16.60	16.44	29.71	30.80	16.37

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2254.7	2259.2	2259.8	2255.1	2255.7	2258.3	2259.9	2261.7	2257.5	2262.0	2253.8

	Jan 31	Jan 30	Jan 27	Jan 26	Jan 25	Yr ago
SEAQ bargains	17,602	19,529	20,069	22,637	22,348	43,422
Equity turnover (£m)†	-	1106.0	2264.1	2047.1	1802.8	2165.3
Equity bargains†	-	27,404	27,839	31,693	30,869	49,417
Shares traded (mil)†	-	502.4	770.5	734.9	671.6	962.0

†Excluding intra-market business and overseas turnover.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2986.0	2993.5	+2.5	3002.0	2978.0	9229	59065
Jun		3003.0	+2.5			0	5356
Sep		3027.5	+2.5			0	36

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3370.0	-10.0			0	3944

■ FT-SE 100 INDEX OPTION (LIFFE) (*2995) £10 per full index point

	2800		2850		2900		2950		3000		3050		3100		3150	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Feb	[illegible]															
Mar	[illegible]															
Apr	[illegible]															
May	[illegible]															
Jun†	[illegible]															

Calls 3,942 Puts 6,107

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825		2875		2925		2975		3025		3075		3125		3175	
Feb	[illegible]															
Mar	[illegible]															
Apr	[illegible]															
Jun	[illegible]															
Sept†	[illegible]															

Calls 1,538 Puts 2,393 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1994/95 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.99	98	90½	Asset Man Inv	[illegible]					
-	F.P.	1.63	7	5½	Cale. Media Wrts	[illegible]					
-	F.P.	64.0	173	133	Clydeport	150	-1	RN3.61	-	2.6	-
$10	F.P.	34.2	625	585	First Russian Fr	[illegible]					
-	F.P.	33.7	96	93	Gartmore Mic Ind	[illegible]					
-	F.P.	2.77	40	38	Do. Warrants	[illegible]					
-	F.P.	27.2	56	51¼	Lazard Birla India	[illegible]					
-	F.P.	3.18	32½	29¼	Do Warrants	[illegible]					
35	F.P.	22.1	36	34	MCIT S Cap	[illegible]					
35	P.P.	23.4	36	36	MCIT S Inc	[illegible]					
$3	F.P.	5.55	3½	3	MICE Group	[illegible]					
100	F.P.	40.5	94	81	Matheson Lloyds	[illegible]					
-	F.P.	19.0	130	95	Pentex Oil	[illegible]					
182	F.P.	1,454.7	188	167	TeleWest	[illegible]					
100	F.P.	17.6	102	102	Wellington Un.	102					
-	F.P.	262.1	128	118	Woodchester Units	125					

FT GOLD MINES INDEX

	Jan 30	% chg on day	Jan 27	Jan 26	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index (34)	1656.81	-2.1	1692.83	1731.26	[illegible]	2.31	[illegible]	[illegible]
■ Regional Indices								
Africa (16)	2435.52	-4.8	2558.55	2566.57	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (7)	2050.03	-3.8	2131.57	2128.29	[illegible]	[illegible]	[illegible]	[illegible]
North America (11)	1370.85	-0.2	1372.35	1429.22	[illegible]	[illegible]	[illegible]	[illegible]

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Jan 31; 181.8 ; day's change: [illegible]
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 31	Day's chge%	Jan 30	Jan 27	Jan 26	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2991.6	-0.1	2995.9	3022.2	3007.3	3481.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	3370.4	-0.4	3382.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Trusts	[illegible]										
FT-SE-A 350	1495.4	-0.2	[illegible]								
FT-SE-A 350 Higher Yield	[illegible]										
FT-SE-A 350 Lower Yield	[illegible]										
FT-SE SmallCap	[illegible]										
FT-SE SmallCap ex Inv Trusts	[illegible]										
FT-SE-A ALL-SHARE	1480.56	-0.2	1483.49	[illegible]							

■ FT-SE Actuaries All-Share

	Jan 31	Day's chge%	Jan 30	Jan 27	Jan 26	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	[illegible]										
12 Extractive Industries(7)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(15)	[illegible]										
20 GEN INDUSTRIALS(278)	[illegible]										
21 Building & Construction(38)	[illegible]										
22 Building Matls & Merchs(31)	[illegible]										
23 Chemicals(23)	[illegible]										
24 Diversified Industrials(17)	[illegible]										
25 Electronic & Elect Equip(36)	[illegible]										
26 Engineering(72)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(28)	[illegible]										
29 Textiles & Apparel(21)	[illegible]										
30 CONSUMER GOODS(96)	[illegible]										
31 Breweries(18)	[illegible]										
32 Spirits, Wines & Ciders(10)	[illegible]										
33 Food Producers(24)	[illegible]										
34 Household Goods(10)	[illegible]										
36 Health Care(18)	[illegible]										
37 Pharmaceuticals(12)	[illegible]										
38 Tobacco(2)	[illegible]										
40 SERVICES(231)	[illegible]										
41 Distributors(32)	[illegible]										
42 Leisure & Hotels(29)	[illegible]										
43 Media(43)	[illegible]										
44 Retailers, Food(16)	[illegible]										
45 Retailers, General(45)	[illegible]										
48 Support Services(36)	[illegible]										
49 Transport(21)	[illegible]										
51 Other Services & Business(7)	[illegible]										
60 UTILITIES(37)	[illegible]										
62 Electricity(17)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(5)	[illegible]										
68 Water(13)	[illegible]										
69 NON-FINANCIALS(667)	[illegible]										
70 FINANCIALS(118)	[illegible]										
71 Banks, Retail(9)	[illegible]										
72 Banks, Merchant(6)	[illegible]										
73 Insurance(27)	[illegible]										
74 Life Assurance(6)	[illegible]										
77 Other Financial(23)	[illegible]										
79 Property(43)	[illegible]										
80 INVESTMENT TRUSTS(123)	[illegible]										
89 FT-SE-A ALL-SHARE(919)	1480.56	-0.2	1483.49	[illegible]							
FT-SE-A Fledgling	[illegible]										
FT-SE-A Fledgling ex Inv Trusts	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

Time of FT-SE 100 Day's high: [illegible] Day's low: [illegible]. FT-SE 100 1994 High: [illegible] Low: [illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks, Retail	[illegible]											

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. [illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded.

WORLD STOCK MARKETS

US INDICES

Dow Jones	Jan 30	Jan 27	Jan 26	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3832.08	3857.98	3870.44	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.47	94.67	94.32	105.61 (21/1/94)	93.56 (30/12/94)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1503.24	1523.50	1510.48	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	192.53	192.20	190.61	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3861.20 (3914.18) Low 3794.40 (3827.37) (Theoretical♦)
Day's high 3857.32 (3888.58) Low 3817.28 (3848.57) (Actual♦)

Standard and Poors	Jan 30	Jan 27	Jan 26	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	468.51	470.39	468.32	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	552.23	554.60	553.73	583.10 (28/10/94)	510.06 (21/4/94)	583.18 (28/10/94)	3.62 (21/6/82)
Financial	43.87	43.95	43.26	48.94 (14/8/94)	39.87 (22/11/94)	48.48 (28/9/93)	6.64 (1/10/74)
NYSE Comp.	254.90	255.89	254.92	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.54	436.75	437.74	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	751.83	758.91	757.56	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jan 27	Jan 20	Jan 13	Year ago
Dow Jones Ind. Div. Yield	2.79	2.77	2.73	2.57
	Jan 25	Jan 18	Jan 11	Year ago
S & P Ind. Div. yield	2.43	2.40	2.44	2.512
S & P Ind. P/E ratio	18.90	19.06	18.76	26.98

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Telefonos	10,887,400	30⅝	-2
Chile Telef	8,231,800	69	-3¼
Ford Motor	6,928,900	24¾	-⅛
Telefonica	5,155,800	37	+⅛
RJR Nabisco	3,461,700	5⅝	-⅛
Compaq	3,450,100	35⅝	—
A T & T	3,411,200	49⅝	....
McDonald's	3,387,200	32¾	+⅛
CMergy	3,282,400	24⅝	-¼
Walt Disney	2,959,800	51¼	+1

■ TRADING ACTIVITY

● Volume (million)

	Jan 30	Jan 27	Jan 26
New York SE	318.538	339.497	311.909
Amex	12.171	14.122	13.813
NASDAQ	240.608	290.361	276.167
NYSE			
Issues Traded	2,916	2,815	2,920
Rises	820	1,266	1,092
Falls	1,387	850	1,006
Unchanged	709	699	820
New Highs	36	42	31
New Lows	81	46	44

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40							
Jan	1811.0	1793.0	-20.0	1815.0	1792.5	22,959	8,064
Feb	1819.5	1795.0	-28.5	1823.0	1793.0	25,729	21,386
■ DAX							
Mar	2035.0	2034.5	-5.5	2041.5	2026.0	11,107	N/A
Jun	2056.5	2054.0	-9.0	2060.0	2049.5	1,000	N/A
■ OMX							
Feb	1155.50	1160.50	+0.50	1162.00	1161.00	2,840	18,432
Mar	-	-	-	-	-	-	870
■ SOFFEX							
Feb	2529.2	2540.1	-4.9	2544.5	2527.5	2,966	15,850
Mar	2542.0	2547.0	-4.0	2550.0	2535.0	29	497

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	469.85	470.25	+0.30	470.90	469.60	59,773	195,261
Jun	474.40	474.30	+0.55	474.95	474.30	1,423	13,791
■ Nikkei 225							
Mar	18910.0	18750.0	-100.0	18930.0	18660.0	38,775	122,935
Jun	18940.0	18800.0	-80.0	18960.0	18720.0	2,335	6,965

Open interest figures for previous day.

‡ Sat Jan 28: Taiwan Weighted Price (c); Korea Comp Ex 926.58. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp/Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 31 – 2024.62 –1.66

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Notes – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994/95, except Toronto & Montreal daily. ● Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, January 31, 1995

	Stocks Traded	Closing Prices	Change on day
Penta Ocean	47.0m	933	+100
Aoki Corp	41.6m	695	+72
Fudo Const	26.3m	1380	-20
Toyo Const	24.7m	775	+25
Sumitomo Const	22.4m	848	-21
Toa Corp	20.0m	805	+42
Obayashi	16.4m	805	-37
Wakachiku Const	15.7m	881	+100
Sumitomo Osaka	12.0m	571	-9
Daisue Const	11.2m	827	-32

4 pm close January 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17¾	11⅞	AAR	0.48	3.6	24	135	13¾	13⅝	13½	-⅛
21⅞	12⅝	A L Labs A	0.18	0.9	44	308	19⅝	19½	19⅝	
79⅝	57⅝	AMP	1.84	2.6	20	3179	72¼	70¾	71	-1⅝
72⅞	48⅛	AMR			24	3859	57⅞	56	56⅛	-⅞
58⅞	38⅝	ASA	2.00	4.6	28	383	43⅞	42½	43⅛	-¼
34⅝	25⅞	AbbotL	0.76	2.1	18	16549	u35⅝	34⅝	35⅛	+⅞
15¼	11⅞	Abitibi Pr	0.50	3.7	12	25	13⅞	13¼	13⅜	-⅛
24⅞	17⅞	ABM Ind	0.60	2.5	14	32	24	23¾	23¾	-⅛
18	11⅛	Acptocain			12	89	16½	16⅜	16½	+⅛
31	20¾	ACE Ltd	0.44	1.8	8	840	25	24¼	24⅝	+¾
12½	9	ACM Gvt In x	1.08	11.7	8	293	9⅜	9¼	9⅜	+⅛
10⅛	6⅞	ACM GvOpp x	0.80	11.0		128	7¼	7⅛	7¼	+⅛
10⅝	6¼	ACM Gvt Sp x	0.96	13.2		276	7¼	7⅛	7¼	
12	7⅞	ACM Gvt Se x	1.09	13.3		204	8⅜	8¼	8¼	-⅛
11¾	7⅞	ACM Man x	1.08	14.2		1061	8	7⅝	7⅝	-½
9¼	7¼	ACM Mangd x	0.72	9.8		63	7⅜	d7¼	7⅜	+⅛
16¾	8¾	AcmeClv	0.48	3.1	9	127	15⅝	15⅜	15⅝	+½
19⅞	6½	Acme Elect			19	250	18⅛	17⅞	18⅛	+¼
33½	23	Acordia	0.60	1.9	16	6	31⅝	31⅝	31⅝	
13¾	5¾	Actava	0.36	3.9	2	258	9¼	8⅞	8¼	+½
18⅞	11¼	Acuson			26	658	16⅛	15⅝	16	+⅛
18⅛	15½	Adams Expr	0.36	2.2	0	114	16	15⅞	16	+⅛
64½	46½	Ad Micro	3.00	5.1		16	60	59¼	59¼	-¼
32¼	16¾	AdvMic	3.00	10.2	8	4523	29⅞	29¼	29⅜	-⅜
6⅞	5	Advest Grp	0.16	3.0	28	79	5½	5⅜	5⅜	-⅛
20	15	Advo Inc	0.10	0.6	14	128	17⅝	17½	17⅝	+⅛
66⅛	49¾	Aegon ADR	1.47	2.3	12	31	64⅞	64⅜	64⅜	-¼
5	3⅞	Aarfix			7	115	3⅞	3⅞	3⅞	+⅛

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4 pm close January 31

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close January 31

AMEX COMPOSITE PRICES

4 pm close January 31

Price data supplied by Telekurs

AMERICA

Mexico soars on Clinton sidestep

Mexico

Equities were given an immediate boost by the announcement that President Bill Clinton was going to sidestep the US Congress and use his personal authority to approve the release of a $20bn package of funds to Mexico.

Mr Clinton said that the US contribution would be supplemented by $17.5bn from the IMF and a short term $10bn lending facility from the Bank of International Settlements.

At midsession the IPC index was up 159.99 or 8.4 per cent at 2,058.89 in local currency terms.

Mr Nigel Rendell, Latin American strategist at James Capel, commented that while the news was "pretty encouraging" in the short term, the longer term picture remained bleak. There were some nasty surprises waiting in fourth quarter company results, which were due to be released during February and March, he said, and some were "going to be quite horrendous" as a consequence of exchange rate losses.

Smith Barney analysts supported this view, maintaining a negative outlook and recommended selling into any market strength.

Brazil

Shares in São Paulo had surged 7.6 per cent in local currency terms on the Mexican news by midsession. The Bovespa index was up 2,728 at 38,535 in turnover of R$161.1m.

Blue chips led the rally, with Telebras preferred up 8.5 per cent to R$31.70. Vale do Rio Doce preferred was ahead 3.5 per cent to R$148 and Petrobras 9.5 per cent to R$92.50.

● Buenos Aires was also encouraged, with the Merval index up 5.6 per cent at 429.12 by midsession.

Wall Street

US shares bounced into positive territory late yesterday morning after President Bill Clinton announced an aid package to pull Mexico out of financial crisis, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was up 13.46 at 3,845.54. The Standard & Poor's 500 climbed 2.34 to 470.85, the American Stock Exchange composite rose 0.57 to 434.11 and the Nasdaq composite gained 3.14 at 754.97. Trading volume on the NYSE was 250m shares.

Five Mexico-related issues were among the most heavily traded shares on the NYSE, bouncing back from recent lows on news of the aid package. Earlier in the morning the shares dipped as reports emerged that the White House had abandoned its aid proposals because of a lack of support in Congress.

American Depository Receipts of four Mexican companies rose on the news. Telmex gained $3⅞ at $34⅝, Grupo Televisa rose $3⅜ at $22⅜, Grupo Tribasa was up $1⅞ at $10⅞ and Empresas ICA climbed $1⅜ at $9⅜. The Mexico Fund, a closed-end mutual fund, also rose in heavy trading and at midday it was up $2⅝ at $15⅝.

Investors were also waiting for news on monetary policy to emerge from the meeting of the Federal Reserve's Open Market Committee, which began yesterday and was to conclude today. Most analysts on Wall Street believed the Fed would put interest rates up by 50 basis points.

Economic news was mixed. The commerce department reported that labour costs rose by only 3 per cent in 1994, the smallest increase since the government began tracking the data in 1981, in spite of shrinking unemployment. Two surveys of economic activity showed January growth to be slightly lower than December levels, but still very strong.

Consumer confidence in January dropped to 102.1 per cent from a revised 103.4 per cent in December, according to the conference board, putting the index above 100 for the third consecutive month. The purchasing managers' association of Chicago reported that January business activity in that region declined modestly to 63 per cent from December but remained strong.

Also helping to boost the market were strong earnings reports from a number of companies.

General Motors, for example, gained $1¼ at $38⅞ after surprising the market with stronger-than-expected earnings. Xerox rose $2⅞ at $107⅞ after it, too, reported earnings higher than many analysts had anticipated.

The Washington Post and Knight-Ridder both fell, although the Post exceeded expectations and Knight-Ridder fell short. The Post dropped $⅞ at $242 and Knight-Ridder was off $⅞ at $52⅞.

Canada

Toronto stocks remained lower at midday, but the market was expected to be supported during the afternoon by the announcement of the financial aid package for Mexico.

The TSE 300 composite index was off 4.78 at 3,986.63 in volume of 20.64m shares valued at C$350m.

S African golds improve

Gold shares recouped some of Monday's heavy loss, although the sector index was unable to sustain its peak for the session after the price of bullion slipped in late trading.

The golds index closed 12.2 up at 1,507.4 after a high of 1,529. Dealers remarked that the sector had found limited support following steep declines in recent sessions, but that sentiment remained weak amid uncertainty surrounding the future direction of the bullion price. Foreign fund managers were largely absent.

The overall index receded 38.2 to 5,054.2 and industrials fell 50.2 to 6,231.7.

De Beers and Anglos both shed R2.50 to R83 and R187.50 respectively, and JCI finished R1.50 weaker at R85.50. Anglo American dipped R2.50 or 1.3 per cent to R187.50.

Western Deep advanced R8 or 1 per cent to R300, helped by reports that employees had returned to work following weekend violence at a mine.

Elsewhere, SAB relinquished 75 cents at R86.25, while Engen ended R1 off at R32.

EUROPE

Automotive stocks suffer from slowdown fears

Automotive stocks in France and Germany suffered early selling yesterday as investors worried that forecast 1995 earnings growth might not be met because of the slowdown in European economies, *writes Our Markets Staff.*

Contributing to the downturn was a fear that the US car sector might be entering a downturn, with some major producers there believed to be cutting production of certain models.

The news that General Motors' fourth-quarter profits in the US had exceeded expectations came too late to have a significant impact on European trading.

Mr Keith Hayes, automotive analyst at Merrill Lynch, said that the situation in Europe was causing a souring of sentiment. There had been forecasts of up to 50 per cent earnings growth this year, but if there were no improvement in car sales, then there was no way that those estimates would be met, he said.

In addition, French and Spanish government incentives to trade in old cars for new were due to come to an end in the near future, which might prompt manufacturers to reduce prices. Further downgrades of stocks, following one on Daimler two weeks ago, could well follow, he added.

Overhanging bourses was the US FOMC meeting which began its deliberations yesterday, but was not expected to lead to an announcement on the direction of US interest rates until later today. Most forecasts were for a rise in rates of 50 basis points.

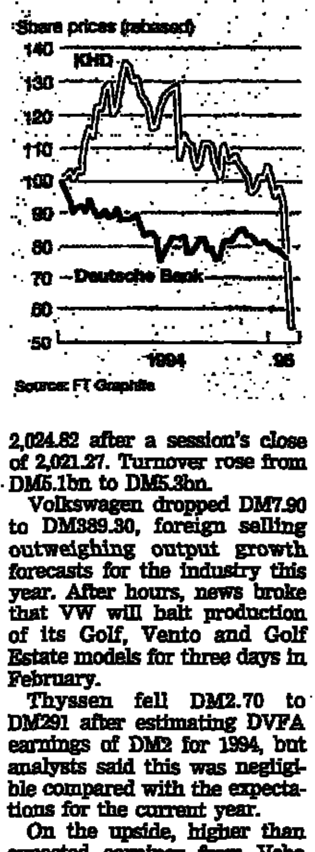
PARIS fell below 1,800, discouraged by weakness in bonds, while technical trading in the futures market also contributed to the general weakness. The CAC-40 index finished down 15.53 at 1,797.90, off a low of 1,786, in turnover of FFr2.5bn.

The automotive sector encountered heavy selling, although Renault survived better than most, shedding just 40 centimes at FFr171.40. However, Peugeot, Michelin and Valeo demonstrated the depth of the weakness, with the car group falling to its lowest level since November 1993, down FFr12 at FFr689. Michelin lost FFr6.50 to FFr198 and Valeo FFr8.50 or 3.3 per cent to FFr240.50.

Some insurance stocks eased over worries regarding their exposure to the flooding in parts of the country. AGF fell FFr7 or nearly 4 per cent to FFr173 and GAN shed FFr9 or 4.5 per cent to FFr190.

FRANKFURT saw some blue chip action but the market as a whole merely eased a little after its post-bourse losses on Monday.

The Dax index finished 1.86 lower at an Ibis-indicated 2,024.82 after a session's close of 2,021.27. Turnover rose from DM5.1bn to DM5.3bn.



Volkswagen dropped DM7.90 to DM389.30, foreign selling outweighing output growth forecasts for the industry this year. After hours, news broke that VW will halt production of its Golf, Vento and Golf Estate models for three days in February.

Thyssen fell DM2.70 to DM291 after estimating DVFA earnings of DM2 for 1994, but analysts said this was negligible compared with the expectations for the current year.

On the upside, higher than expected earnings from Veba took the utility-based group up DM7.30 to DM515.50, further technical recovery lifted Karstadt, Germany's biggest department stores group, by DM9 to DM559, and high hopes ahead of today's results took Degussa, the pharmaceuticals, chemicals and gold refining group, ahead DM7 to DM451.40.

Deutsche Bank's latest problem child, the engineering group KHD, returned to the quoted lists with a fall of DM18 to DM83 after a pre-suspension drop of DM30 last Friday. The shares are well below KHD's rights issue price of DM75, indicating that major shareholders like Deutsche and (to a much lesser extent) Allianz will have to take the strain. However, Deutsche recovered DM3.10 to DM693.70.

AMSTERDAM was diverted by the floods in north west Europe as the AEX index fell 3.74 to 408.11. Akzo, which said that its Arnhem plant, close to the Rhine, was facing closure due to the flood waters sweeping through the eastern Netherlands, fell Fl 3.50 to Fl 193.20. However, prospects for flood related business took builders higher, HBG rising Fl 5.60 to Fl 258, Boskalis 70 cents to Fl 31.90 and Volker Stevin Fl 3.30 to Fl 83.50.

ZURICH stayed cautious, pending the FOMC decision on US interest rates. The SMI index shed 3.1 to 2,537.1.

UBS bearers fell SFr14 to SFr1,012 following news that a Zurich judge had decided to uphold the bar on entry into the commercial register of its shareholders' decision to introduce a single share class for the bank. The registered shares rose SFr5 to SFr239.

Oerlikon-Bührle, the armaments group, fell SFr7.50 to SFr120 on Monday's estimate of maintained profits in 1994.

MILAN remained cautious and the Comit index finished off 1.97 at 600.57.

Fiat was unmoved by sector weakness seen elsewhere, with investors confident that the group's annual shareholders report tomorrow would be positive, and that a dividend would be paid. The shares moved forward L44 to L6,580, while Pirelli put on L18 at L2,254.

Rinascente, which reported a 4.7 per cent gain in 1994 sales, advanced L150 to L9,300 and Parmalat, forecasting a healthy rise in 1995 sales, picked up L55 to L1,735.

Banks remained popular, brokers said: Credito Italiano fell L20 to L1,988 and Credito Romagnolo rose L74 to L15,888.

Elsewhere, Telecom Italia fell L8 to L4,348 while Stet rose L20 to L4,940.

STOCKHOLM was flat in spite of good results from SKF, the bearings group, and Electrolux in household appliances, the B shares rising SKr1 to SKr131, and staying flat at SKr376 respectively as the Affärsvärlden General index fell 3.70 to 1,513.40.

TEL AVIV rallied 7.7 per cent in response to an announcement by the government that it was to cancel a controversial capital gains tax on stock market profits.

The Mishtanim index added 12.52 to 174.67, off an earlier session high of 175.80.

WARSAW fell to its third consecutive 52 week low, with the Wig index down 309.1 or 4.3 per cent to 6,153.0, although brokers commented that some demand for shares was seen after the official close; this, they said, could indicate that the market would stage a technical recovery today.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

Jan 31						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1296.04	1298.14	1297.98	1297.22	1297.52	1288.93	1297.81	1297.31
FT-SE Eurotrack 200	1357.64	1357.80	1358.89	1358.09	1358.44	1358.81	1358.47	1358.78
	Jan 30	Jan 27	Jan 26	Jan 25	Jan 24			
FT-SE Eurotrack 100	1304.40	1307.52	1308.10	1294.51	1298.33			
FT-SE Eurotrack 200	1361.98	1370.10	1368.94	1358.17	1353.78			

Base value 1000 (26/10/90). High/day: 100 - [illegible]; 200 - [illegible]. Low/day: 100 - [illegible]; 200 - [illegible]. † Partial

ASIA PACIFIC

Volume tops 800m shares in Tokyo as Nikkei eases

Tokyo

Profit-taking in high-technology shares depressed the Nikkei 225 average, but buying of banking and construction stocks boosted trading volume, which rose above 800m shares for the first time in seven months, *writes Emiko Terazono in Tokyo.*

The index lost 103.06 at 18,649.82 after a low of 18,582.89 and high of 18,854.83, down 1,000 points since the beginning of this year. Traders said that, historically, the Nikkei never rose on the year when it had declined in January.

Buying of construction and banking issues supported share prices in the morning session, but afternoon profit-taking of high-technology stocks depressed the index.

Traders noted selectivity within stocks linked to the reconstruction of Kobe. "Some investors were selling general contractors and buying special construction companies, including dredging companies," said Mr Yasuo Ueki at Nikko Securities.

Volume totalled 838m shares, against 688m, above the 800m level for the first time since June last year. The Topix index of all first section stocks closed 2.62 down at 1,463.84, while the Nikkei 300 added 0.73 at 268.81. Declines led advances by 647 to 402, with 136 issues unchanged.

London dealers had leisure to regret Monday's initiative, when they projected a further 1.5 per cent increase in the Tokyo market for yesterday. The ISE/Nikkei 50 index finished slightly firmer at 1,193.75, up 1.57.

Short-covering continued to boost banks. Traders expected buy-backs by hedge funds, leading sellers of the sector last year, to continue for the next few days. Sumitomo Bank rose Y50 to Y1,930 and Mitsubishi Bank by Y80 to Y2,450.

High-technology stocks tumbled on selling by overseas investors. Hitachi dropped Y31 to Y854 and NEC fell Y37 to Y930, while Matsushita Electric Industrial declined Y50 to Y1,380 and Sony retreated Y220 to Y4,590.

Daiei, the country's largest retailer, fell by its daily limit of Y200 to Y1,070. The group, which already suffers from a cash flow deficit, announced on Monday that earthquake damages would total Y50bn and that it expected to post a loss of Y25bn for the current year to the end of this month.

Dredging companies were higher, with Penta Ocean Construction, the most active issue of the day, up Y100 to Y933 and Toyo Construction climbing Y25 to Y775. Some general contractors lost ground, with Taisei down Y23 to Y701 and Obayashi Y37 lower at Y805.

In Osaka, the OSE average slipped 122.47 to 20,555.87 in volume of 157.6m shares. High-technology stocks fell on profit-taking, with Shima Seiki receding Y340 to Y6,300.

Roundup

Hong Kong, Singapore, Seoul, Taiwan and Kuala Lumpur were closed for the Lunar New Year holiday. Wall Street's overnight losses influenced some of the rest, but there was still interest in a number of individual situations.

BOMBAY saw speculative activity combine with selective blue chip buying by local mutual funds, some brokers taking fresh positions following the government's decision to lift its 38-year ban on options and futures last Friday.

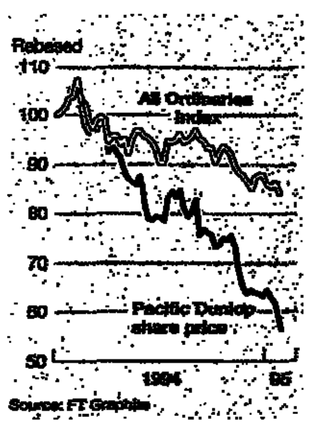
The BSE 30-share index rose 42.75 to 3,618.54. Brokers said that there was sustained buying by speculators in Reliance Industries, which finished Rs10 higher at Rs275.

WELLINGTON more than shed Monday's gain, the NZSE 40 capital index falling 26.20 or 1.3 per cent to 1,939.82. A morning statement from the Reserve Bank, saying that a further fall in short-term interest rates would be unhelpful, put the seal on an unhappy day.

Telecom shed 15 cents to NZ$5.35 and Carter Holt Harvey lost 7 cents at NZ$3.32. Macraes Mining, working a low grade gold deposit with high costs, fell 30 cents to NZ$2.00 on news that it had production problems in the December quarter.

SYDNEY fell to a two-month low in light volume after Wall Street's slip, the All Ordinaries index ending 26.1 or 1.4 per cent weaker at 1,830.6 in turnover of A$371m.

The market continued to slide in the afternoon after the government made wide ranging revisions to its 1994/95 economic forecasts and on comments by the Australian treasurer Mr Ralph Willis which dashed hopes of a fiscal tightening this fiscal year.



Pacific Dunlop dropped 23 cents or 7 per cent to a new low of A$3.07 after a Melbourne newspaper reported that US legal action against the company over heart pacemaker leads was widening. The company's shares have fallen by almost 25 per cent since November when it first disclosed that some of the leads had failed.

Meanwhile, Western Mining retreated 38 cents or 5.3 per cent to A$6.80 after Monday's fall in metal prices.

COLOMBO closed easier in dull trading, the CSE all-share index finishing 3.73 lower at 959.98 in turnover, boosted by trade in financials, up from Rs15.8m to Rs17.74m.

Retail investors seemed disenchanted with the tourist industry. Hotel Developers (Lanka), which owns the debt-ridden five-star Colombo Hilton Hotel, fell Rs1 or 9.1 per cent to Rs10; and Ceylon Holiday Resorts, with three hotels on Sri Lanka's south coast, lost Rs5 or 4.3 per cent at Rs110.

JAKARTA dealers said that major fund managers in the region were away for the Lunar New Year, but that outstanding sell orders seemed to push the market down as the JKSE index fell 3.42 to 433.83.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 30 1995								FRIDAY JANUARY 27 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	164.28	-0.7	153.10	102.37	128.96	143.90	-0.2	4.01	165.37	153.98	103.59	129.98	144.24	189.15	161.21	180.00
Austria (16)	175.13	-0.1	163.21	109.13	137.47	137.56	-0.1	1.18	175.37	163.30	109.85	137.84	137.73	198.89	167.46	192.14
Belgium (35)	168.36	-0.1	156.90	104.92	132.16	129.23	-0.3	4.27	168.55	156.96	105.58	132.49	129.61	177.04	161.53	167.78
Brazil (28)	137.05	-4.4	127.72	85.41	107.58	213.17	-4.3	1.21	143.31	133.45	89.77	112.64	222.77	-	-	-
Canada (103)	121.61	-1.5	113.52	75.91	95.62	125.01	-1.3	2.77	123.65	115.14	77.46	97.19	126.66	149.28	120.54	140.46
Denmark (33)	254.06	0.6	236.77	158.32	199.43	206.10	0.4	1.44	252.64	235.26	158.26	198.58	206.20	275.79	238.61	269.85
Finland (24)	186.02	-0.3	173.36	115.92	146.02	184.29	-0.3	0.76	186.55	173.72	116.86	146.63	184.92	201.41	133.88	148.36
France (102)	160.61	0.2	149.87	100.21	126.23	132.21	0.1	3.25	160.51	149.47	100.55	126.16	132.14	185.37	157.79	182.61
Germany (58)	141.21	0.3	131.61	88.00	110.85	110.85	0.2	1.86	140.76	131.06	88.16	110.64	110.64	150.40	128.37	183.88
Hong Kong (56)	293.17	0.9	273.22	182.70	230.14	291.06	0.9	4.30	290.53	270.55	182.00	228.37	288.44	493.01	277.40	486.91
Ireland (16)	209.75	-0.4	195.48	130.71	164.66	188.05	-0.2	3.39	210.50	196.02	131.86	165.46	188.46	216.60	177.56	203.36
Italy (59)	79.76	-0.5	74.35	49.72	62.63	95.24	-0.6	1.63	80.17	74.66	50.22	63.02	95.77	97.78	67.25	72.95
Japan (484)	148.89	4.6	138.76	92.78	116.88	92.78	4.1	0.82	142.30	132.52	89.14	111.86	89.14	170.10	138.45	140.58
Malaysia (97)	418.95	0.0	390.44	261.06	328.87	412.61	0.0	2.04	418.90	390.09	262.41	329.27	412.61	594.76	388.16	490.05
Mexico (18)	964.79	-8.0	899.13	601.22	757.33	6292.16	-2.5	1.62	1046.76	976.81	656.96	824.34	6449.93	2647.08	964.76	2487.01
Netherland (19)	221.96	0.0	206.86	138.32	174.24	171.49	-0.1	3.37	221.87	206.61	138.99	174.40	171.61	228.30	191.28	205.13
New Zealand (14)	73.47	1.2	68.47	45.79	57.68	61.11	1.5	4.79	72.60	67.61	45.48	57.07	60.21	77.59	62.05	73.25
Norway (23)	212.25	-0.3	197.81	132.27	166.61	190.71	-0.3	1.81	212.83	198.19	133.32	167.29	191.38	214.65	177.53	201.28
Singapore (44)	340.76	1.5	317.57	212.35	267.49	227.95	1.5	1.86	335.78	312.68	210.34	263.93	224.60	401.38	294.66	344.63
South Africa (59)	284.77	-2.8	265.39	177.46	223.54	254.57	-1.9	2.62	293.04	272.88	183.57	230.34	259.40	342.00	205.55	247.86
Spain (36)	130.36	-0.2	121.49	81.24	102.33	129.71	-0.4	4.38	130.63	121.64	81.83	102.67	130.21	155.79	124.87	153.81
Sweden (46)	237.43	-0.3	221.27	147.96	186.38	261.30	-0.5	1.49	238.17	221.79	149.19	187.21	262.53	242.91	198.70	224.65
Switzerland (47)	163.64	-0.4	152.51	101.98	128.46	129.05	-0.3	1.89	164.28	152.97	102.91	129.12	129.48	176.58	149.91	173.68
Thailand (46)	137.19	1.4	127.85	85.49	107.69	133.30	1.3	3.03	135.24	125.94	84.72	106.31	131.54	-	-	-
United Kingdom (205)	193.40	-0.9	180.24	120.52	151.82	180.24	-0.8	4.28	195.16	181.74	122.26	153.41	181.74	214.96	181.11	211.90
USA (513)	191.98	-0.4	178.91	119.63	150.70	191.98	-0.4	2.92	192.68	179.42	120.70	151.45	192.68	196.04	178.95	184.74
Americas (862)	176.22	-0.5	164.23	109.81	138.33	147.90	-0.6	2.86	177.17	164.98	110.98	139.26	148.61	-	-	-
Europe (723)	168.58	-0.3	157.11	105.06	132.33	147.51	-0.4	3.16	169.17	157.53	105.97	132.97	148.08	178.58	160.59	175.89
Nordic (126)	228.48	-0.1	212.94	142.38	179.36	213.03	-0.3	1.40	228.80	213.06	143.32	179.84	213.60	283.91	197.70	215.56
Pacific Basin (809)	155.07	4.0	144.52	96.63	121.73	100.91	3.5	1.20	149.12	138.87	93.41	117.22	97.46	178.86	145.93	153.51
Euro-Pacific (1532)	160.60	2.0	149.67	100.08	126.07	119.10	1.8	2.06	157.38	146.56	98.59	123.71	117.01	175.14	154.73	162.67
North America (616)	187.63	-0.4	174.86	116.93	147.29	187.44	-0.4	2.91	188.40	175.44	118.02	148.09	188.19	192.73	175.67	191.37
Europe Ex. UK (518)	151.47	0.0	141.16	94.39	118.90	127.96	-0.1	2.51	151.50	141.08	94.91	119.08	128.12	158.12	144.12	153.31
Pacific Ex. Japan (325)	218.27	0.4	203.42	136.02	171.34	192.12	0.5	3.48	217.48	202.52	136.23	170.94	191.16	291.75	211.19	277.02
World Ex. US (1740)	160.64	1.8	149.71	100.11	126.10	122.01	1.6	2.06	157.87	147.01	98.90	124.09	120.13	176.65	155.42	164.57
World Ex. UK (2048)	167.63	1.2	156.22	104.46	131.59	139.32	1.1	2.16	165.66	154.27	103.78	130.22	137.88	178.59	163.46	169.95
World Ex. Japan (1769)	182.89	-0.4	170.44	113.97	143.56	173.16	-0.4	3.02	183.70	171.06	115.07	144.39	173.85	195.20	176.34	192.84
The World Index (2253)	169.90	1.0	158.34	105.88	133.37	143.03	0.9	2.38	168.25	156.67	105.39	132.25	141.81	180.80	165.92	173.60

PLEASE NOTE: Portals Group (UK) will not be deleted 31/1/95 as previously announced. Latest prices were unavailable for this edition. Malaysian market closed 30/1/95.